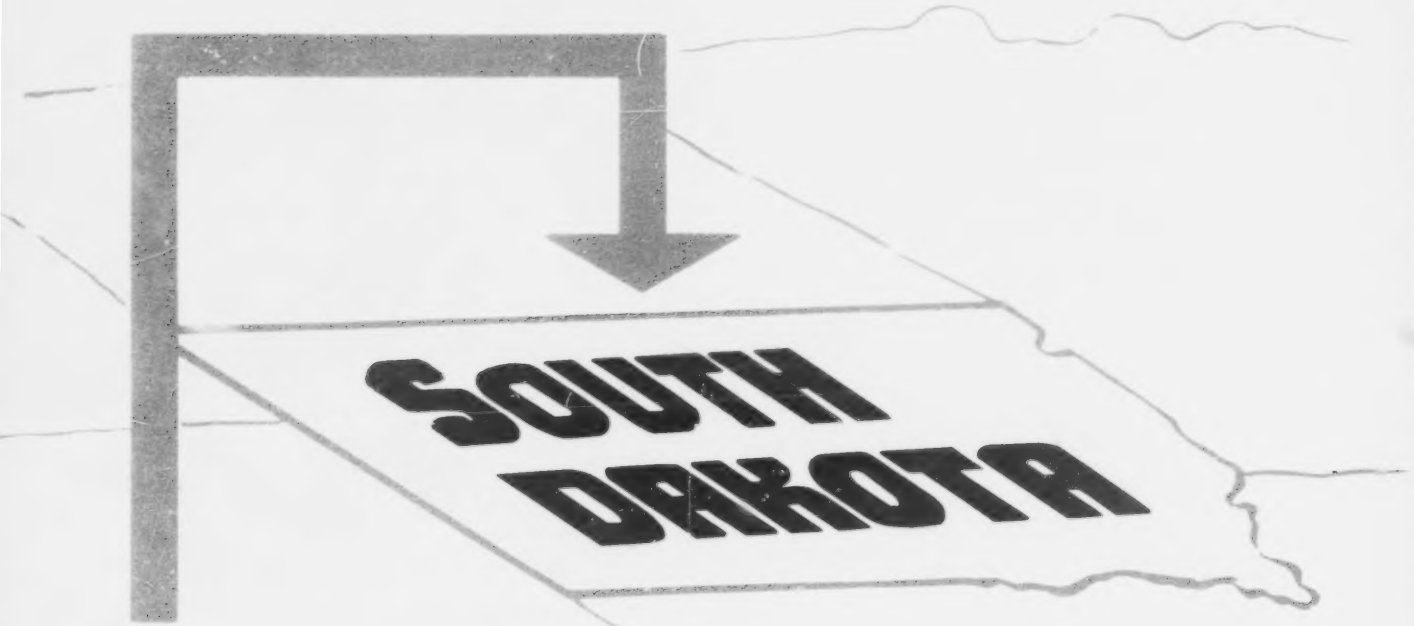

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Personal Income 1980

Mark Dunn

Introduction

Total personal income in South Dakota for the calendar year 1980 was 5.408 billion dollars on an annualized current dollar basis. While this represents a 4.5 percent increase from calendar year 1979, it still remains the smallest increase of all the 50 states and is a considerably smaller increase than the 13.15 percent increase reported in last November's **South Dakota Business Review.** This issue reports and reviews the most recent updated information published by the U.S. Department of Commerce. The August 9, 1981 issue of the **United States Department of Commerce News** is also used to make comparisons between South Dakota and the other states.

About the Author:
Mark Dunn is a Graduate Assistant in the Business Research Bureau, School of Business, University of South Dakota.

Definitions

Personal income is defined as the sum of private and government wage and salary disbursements, other labor income, farm and nonfarm proprietors' income, rental income of persons, personal dividend income, personal interest income and transfer payments, less personal contributions for social insurance. The six major components used in computing personal income are defined as follows:

1. **Wage and Salary Disbursements** is comprised of wages and salaries inclusive of executive's compensation, commissions, tips and bonuses, and the value of payments in kind which represent income to the recipient.
2. **Other Labor Income** includes employers' contributions under private pensions, health and welfare, and group insurance plans; compensation for injuries, pay for military reservists, directors' fees, and several minor items.
3. **Proprietors' Income** measures the net business earnings of owners of unincorporated enterprises, consisting almost entirely of sole proprietorships and partnerships, but also including producers' cooperatives, and other numerically minor forms of noncorporate business.
4. **Property Income** consists of rental income, dividends, and interest income of persons.
5. **Transfer Payments** consist of receipts by persons from government and business (other than government interest) for which no services are currently rendered.
6. **Contributions for Social Insurance** include contributions made by individuals under the various social insurance programs. Payments by both employers and self-employed are included. These contributions are excluded from personal income by handling them as an explicit deduction item.

As personal income represents primarily payments to individuals for productive services rendered, measured movements in the series reflects underlying productive forces. Changes in

productive forces result from changing market conditions and as such, personal income represents a useful indicator of economic activity.

Total Personal Income

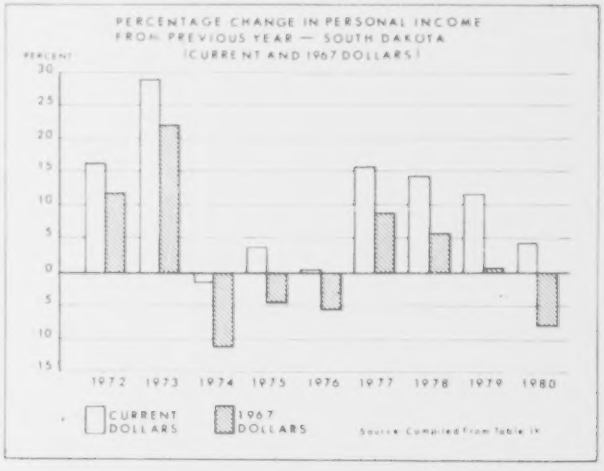
Table I reports total personal income in millions of absolute dollars for the years 1971 through 1980 for South Dakota and the other Plains Region selected states, as well as the total personal income for the Plains Region and United States.

Table II is much more helpful in seeing the rate of growth experienced by the various Plains States, the Plains Region and the United States as a whole. The changes in per capita income has also been incorporated into this table to compare the growth in per capita income to total personal income. It becomes evident that the percent changes in per capita income are smaller than the percent changes in total personal income for all selected states in the two selected time periods. Table II also reveals that South Dakota has not sustained as high a rate of per capita and total personal income growth as did the Plains Region and United States during 1980. It has however, kept close pace with them during the period 1971 to 1980 in total personal income. In per capita income during that same period, South Dakota grew at a rate of 129.5 percent which exceeds the rate of growth in the United States by 1 percent.

While Tables I and II demonstrate growth, this "growth" takes on a new dimension when it is adjusted for inflation. The 13.50 percent increase of the consumer price index during the period 1979 to 1980 has in fact changed the 4.5 percent increase in total personal income into a 7.9 percent decrease in the amount of physical goods and services that same level of personal income will purchase. For this reason it is important that personal income be adjusted for the impact that inflation has upon it. This adjustment is made by dividing nominal personal income by the CPI. Table III summarizes the consumer price index for the period 1969 to 1980.

Table IV shows the percent change in total personal income in South Dakota in both current and 1967 dollars.

To further graphically illustrate the growth in inflation adjusted total personal income as contrasted to total personal income unadjusted, the following chart is provided.



The chart reveals that both the total personal income and inflation adjusted personal income growth rates have been declining in South Dakota since 1978. The chart also suggests a trend of greater ranges between the growth rates of the two measures of income since 1977. This has occurred because inflation has increased at a greater rate since 1976.

Review of the data thus far suggests a declining rate of growth in real personal income as well

(Continued on Page 6)

Trend of Business

National Outlook: High long-term interest rates continue to place a significant drag on the national economy. Evidence of the impact is provided by a continued up and down movement in the growth patterns. Particularly hard hit have been the interest-sensitive auto, housing and farm equipment industries. Also hit hard have been many small businesses, with bankruptcies up 50 percent over a year ago. Despite recent easing in short-term interest rates, long-term rates continue at a high level.

Also disturbing is the recent report on the leading indicators which fell a sharp 2.7 percent in September following a 0.5 percent decline in August. This suggests that the current recession could last into April or May of next year. On the bright side is the apparent Federal Reserve effort to ease interest rates, a large fiscal stimulus in the form of the tax cut, and an improving inflation picture relative to the past year. This evidence along with the pent-up demand of the consumer and a declining customer debt load suggests that improvements may occur in mid-1982. These expectations are reflected in most of the forecasts from the major forecasting services where improvement is forecasted to begin to occur in the second quarter of 1982.

South Dakota Outlook: In 1981, South Dakota's indicators of business activity experienced downward trends in all categories except farm proprietor's income for the two most recent quarters available. On a seasonally adjusted basis personal income was down slightly in the second quarter of 1981 compared to the first quarter of 1981. Strongly contributing to this decrease was a decline in earnings in the farming and construction category. Compared to the second quarter of 1980 personal income rose by 1.4 percent.

Farm proprietor's income was down sharply in the second quarter of 1981 compared to this period a year ago, but rose by 16 percent when compared to the first quarter of 1981 (on a seasonally adjusted basis).

In current dollars, taxable retail sales increased 12 percent, but when seasonally adjusted sales decreased slightly in the second quarter of 1981 compared to the first quarter of this year.

Construction employment has continued its downward movement during the last four quarters. Comparing third quarter 1981 to this period a year ago, construction employment decreased 12 percent.

The unemployment rate rose to 5.1 percent in the third quarter of 1981 compared to 4.9 percent in the second quarter of this year. The September 1981 issue of the SOUTH DAKOTA LABOR BULLETIN estimates "the annual average unemployment rate for 1981 to be 4.9 percent. If so, it will be the highest annual average rate recorded in South Dakota since records have been kept, surpassing the 1980 figure of 4.7 percent.

The outlook for new car and new truck sales is not encouraging. On a seasonally adjusted basis, new car sales decreased 11.6 percent in the third quarter of 1981 compared to the second quarter of 1981. New truck sales for this same period dropped 16.4 percent. There was only a slight increase in car sales for the third quarter 1981 compared to this period a year ago, while truck sales for this same period fell 39.9 percent.

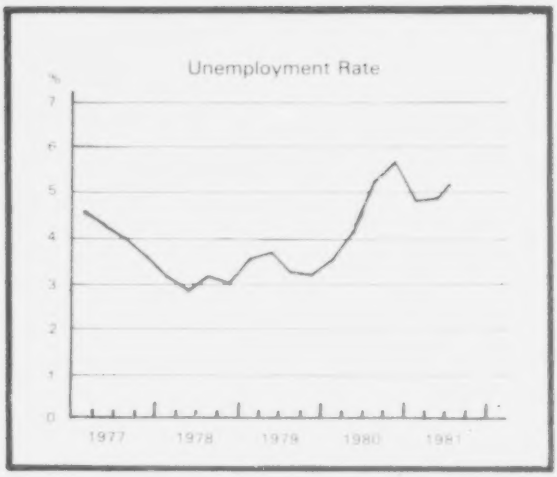
SOUTH DAKOTA BUSINESS INDICES
1980-1981, By Quarters
Seasonally Adjusted
(1972=100)

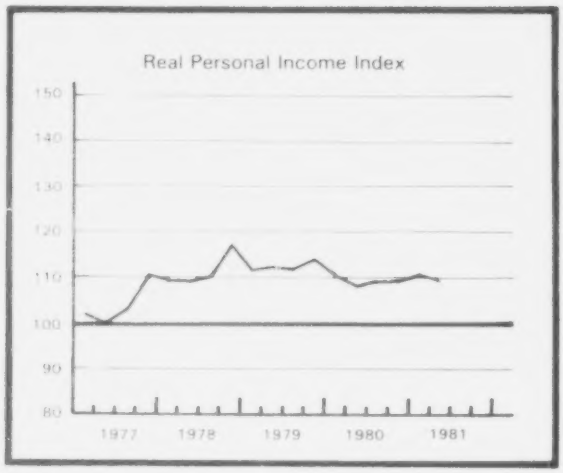
	1980				1981		
Indicator	1st Qt.	2nd Qt.	3rd Qt.	4th Qt.	1st Qt.	2nd Qt.	3rd Qt.
Personal Income	108.4	108.4	109.4	109.5	110.1	109.9	N.A.
Farm Proprietor's Income	33.0	22.5	16.8	15.8	14.6	17.0	N.A.
Taxable Retail Sales	124.9	116.1	117.2	19.7	121.7	120.3	N.A.
Unemployment Rate	3.6	4.2	5.1	5.7	4.9	4.9	5.1
Construction Employment	145.5	138.2	124.2	124.2	112.5	109.8	108.8
New Cars	119.1	69.1	74.2	80.0	68.8	84.6	74.8
New Trucks	112.3	41.6	67.0	59.0	52.7	48.2	40.3

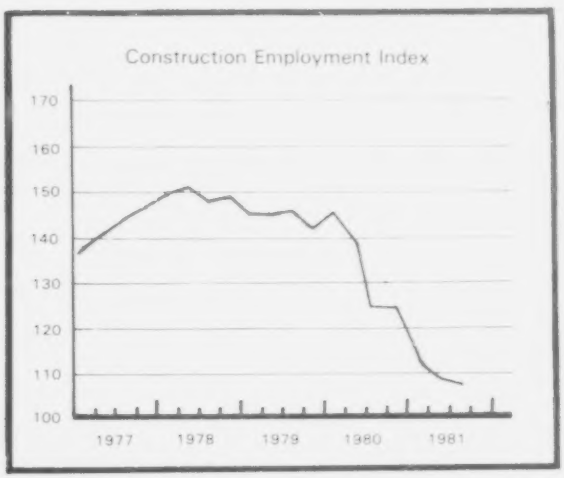
N.A.=Not Available

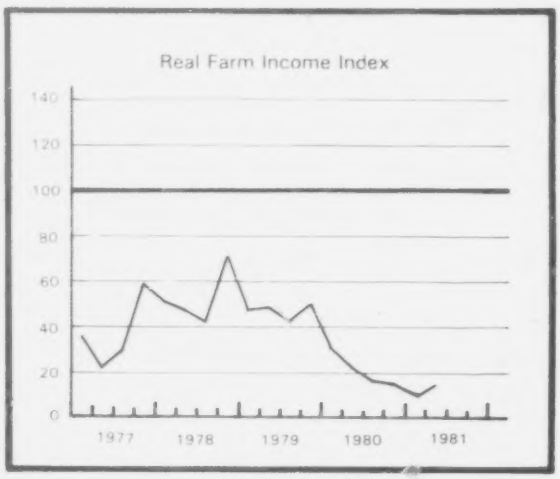
SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

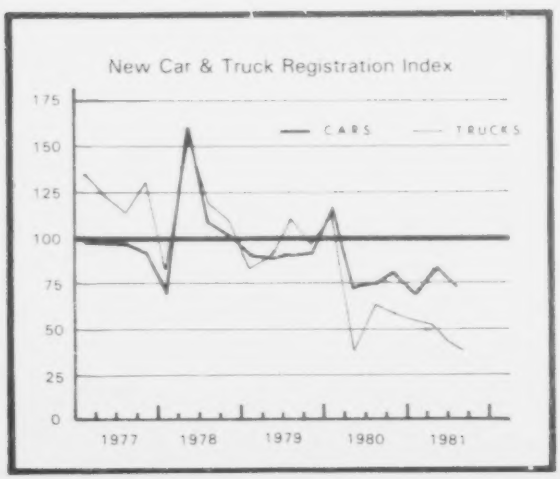
Quarterly Data 1977-1981
Adjusted for Seasonal Variation

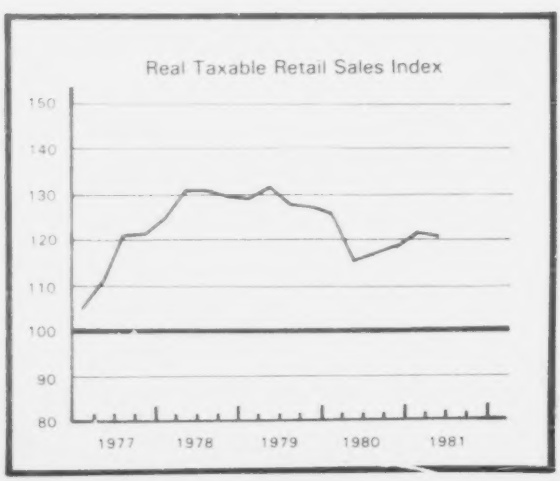












Personal Income 1980 (Contined from Page 3)

as total personal income unadjusted for inflation. Further evidence as to the more recent trends in total personal income is revealed by investigating the quarterly personal income data. These estimates of quarterly total personal income show total personal income from 1979 first quarter to 1981 second quarter as well as the percentage change from the previous quarter. The following table demonstrates the sluggish growth trend.

TABLE V
SOUTH DAKOTA
QUARTER BY QUARTER
GROWTH IN TOTAL PERSONAL INCOME
1979:1 to 1981:2
(Millions of Dollars)

Quarter	Total Personal Income Seasonally Adjusted at Annual Rates	Percent Change from Previous Quarter
1979:1	4,622	0.3
2	4,757	2.9
3	4,949	4.0
4	5,048	2
1980:1	5,074	.5
2	5,065	-.2
3	5,159	1.9
4	5,294	2.6
1981:1	5,416	2.3
2	5,441*	.5

*Preliminary figure
Source: Bureau of Economic Analysis, U.S. Department of Commerce

Major Sources in Personal Income

Table VI summarizes the major sources of personal income for the years 1978 through 1980. It also shows the percentage change in personal income by major sources for the period 1979 to 1980.

TABLE VI
PERSONAL INCOME BY MAJOR SOURCES
South Dakota
1978, 1979, 1980
(Millions of Dollars)

	1978	1979	1980	% Change 1979/1980
Personal Income by Place of Residence	4,616	5,175	5,408	4.5
Personal Income from:				
Dividends, Interest, Rent and Residence Adjustment	965	1,060	1,219	17.2
Transfer Payments	569	658	763	16.0
Less: Personal Contributions for Social Insurance by Place of Work	180	209	230	10.0
Total Labor & Proprietors Income by Place of Work				
by Type	3,336	3,680	3,649	- .8
Wage & Salary Disbursements	2,307	2,561	2,751	7.4
Other Labor Income	189	222	253	14.0
Proprietors Income	840	897	645	-28.1
Farm	401	496	270	-45.6
Nonfarm	379	399	424	6.5
by Industry				
Farm	550	567	287	-49.5
Nonfarm	2,782	3,123	3,362	7.7
Private	2,145	2,419	2,618	7.9
Ag. Serv., Forestry, Fish., & Other	14	16	20	25.0
Mining	48	59	67	13.6
Construction	241	257	236	-8.2
Manufacturing	329	398	428	7.5
Durables	152	146	207	5.6
Nondurables	177	202	221	9.4
Trans. & Public Util.	246	273	297	8.8
Railroads	25	24	25	4.2
Trucking & Warehousing	96	108	115	6.5
Other Transportation	(D)	(D)	(D)	
Communications	61	69	76	10.1
Elec., Gas, & Sanitary Services	48	54	61	13.0
Wholesale Trade	246	288	307	6.1
Retail Trade	382	423	443	4.7
Finance, Ins., & Real Estate	155	179	200	12.4
Banking	54	62	70	12.9
Other Finance, Ins. & Real Estate	101	116	129	11.2
Services	490	550	621	12.9
Hotels & Other Lodgings	23	23	26	13.0
Personal Services	26	29	32	10.3
Private Households	(D)	15	16	6.7
Business & Repair Serv.	60	72	79	9.7
Amusement & Recreation	13	14	15	7.1
Professional, Social & Related Services	(D)	397	454	14.4
Government & Govt Enterprises	642	664	743	8.6
Federal, Civilian	176	181	195	7.7
Federal, Military	88	90	96	6.7
State & Local	379	413	453	9.7

Source: Bureau of Economic Anlaysis, U.S. Department of Commerce
(D) Not shown to avoid disclosure of confidential information.

Personal income from dividends, interest, and rent as well as transfer payments have continued their growth at a relatively strong rate. However, upon examining personal income by type it becomes evident that income received by proprietors has decreased dramatically. The 55.8 percent decrease in farm proprietors' income is undoubtedly partially responsible for the 28.1 percent decrease in total proprietors' income as well as holding down the percentage change in total personal income in South Dakota to 4.5 percent. When the data is investigated in terms of industry, modest gains of less than 10 percent seem to be the pattern that emerges. The construction industry was the only sector other than farming that registered a decrease in personal income from last year. Those industries having more than a 10 percent growth rate were contained in the Finance, Insurance and Real Estate as well as the Service sectors. The exceptions to this were the Agricultural Services, Forestry, Fish and Other sector which had the largest change at 25 percent and the Mining industry which experienced a 13.6 percent increase.

The distribution of industrial sources is further summarized in Table VII. These distributions remain approximately the same as they have been in the past with the exceptions of the large decrease in farm income and the increase in the service industries.

TABLE VII
PERCENTAGE DISTRIBUTION OF INCOME
FROM INDUSTRIAL SOURCES
South Dakota
1978, 1979, 1980
(Millions of Dollars)

	1978		1979		1980	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Total Labor & Proprietors Income	3,336	100.0	3,680	100.0	3,649	100.0
Farms	550	16.5	567	15.1	287	7.9
Agricultural Serv., Forestry, Fisheries, Other	14	0.4	16	0.4	20	0.5
Mining	48	1.4	59	1.6	67	1.8
Construction	241	7.2	257	7.0	236	6.5
Manufacturing	329	9.9	398	10.8	428	11.7
Trans., Pub. Utility	246	7.4	273	7.4	297	8.1
Wholesale Trade	246	7.4	288	7.7	307	8.4
Retail Trade	382	11.4	423	11.5	443	12.1
Finance, Insurance & Real Estate	155	4.7	179	4.9	200	5.5
Services	490	14.4	550	14.9	621	17.0
Government	642	19.2	664	18.0	743	20.4

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce

Comparisons of personal income data published for 1980 with data in this article may reveal a number of differences. These differences are due to revisions which are regularly made by the Bureau of Economic Analysis.

Per Capita Personal Income

Per capita personal income is defined as total personal income of residents (for the year) divided by the resident population as of July 1. Table VIII summarizes per capita personal income for the Plains Region as well as the United States.

South Dakota's per capita personal income as a percentage of the Plains Region and of the United States has decreased since last year. As a percentage of United States' per capita income, it is at its lowest percentage level in 9 years. A review of Table II gives more insight into how well South Dakota is keeping pace with the United States and the Plains Region in percentage change in per capita income. The 3.9 percent increase over last year is far below the 8.3 percent increase of the Plains Region and the 10.2 percent increase of the United States. The 3.9 percent increase in per capita personal income also gave South Dakota a rank of 50th in the nation in percentage change in per capita personal income. Table VIII also demonstrates the fact that while the Plains Region is keeping up with the national per capita income average, South Dakota is not keeping pace with the Plains Region per capita income average.

TABLE IX
COUNTY PERSONAL INCOME
SOUTH DAKOTA COUNTIES
(Millions of dollars)

	1977	1978	1979	1979 County Rank by Personal Income
Aurora	17.1	17.9	20.9	52
Beadle	117.4	129.2	143.7	5
Bennett	12.0	17.0	16.4	56
Bon Homme	39.1	41.8	50.1	25
Brookings	120.4	135.5	156.9	4
Brown	226.9	254.2	276.4	3
Brule	32.4	33.9	40.3	31
Buffalo	7.6	9.0	9.2	66
Butte	37.1	46.4	50.9	24
Campbell	9.1	10.8	13.8	61
Charles Mix	45.0	47.7	55.5	22
Clark	29.0	29.5	29.7	39
Clay	63.4	71.6	94.0	14
Codington	114.0	126.7	142.0	6
Corson	13.4	25.2	20.4	53
Custer	26.1	29.2	33.4	35
Davison	104.6	115.6	129.6	8
Day	44.0	48.6	45.1	28
Deuel	26.6	25.4	29.6	40
Dewey	21.7	28.4	26.6	42
Douglas	23.6	23.2	26.4	45
Edmunds	27.2	29.9	29.1	40
Fall River	44.0	56.5	64.3	17
Faulk	23.2	22.7	24.1	49
Grant	52.6	52.1	61.9	19
Gregory	33.9	34.0	40.0	32
Haakon	12.5	20.1	21.0	51
Hamlin	27.5	27.4	30.6	36
Hand	25.0	33.5	34.8	34
Hanson	15.0	15.1	18.4	56
Harding	7.8	13.3	11.5	63
Hughes	92.8	103.6	120.3	11
Hutchinson	47.3	56.3	63.3	18
Hyde	12.2	13.9	16.2	57
Jackson*	10.1	17.1	16.6	55
Jerauld	12.9	14.1	16.1	58
Jones	6.2	11.8	10.1	65
Kingsbury	36.1	40.2	44.9	29
Lake	59.4	62.5	73.1	16
Lawrence	102.2	113.5	126.1	10
Lincoln	72.1	76.7	93.9	12
Lyman	18.0	24.3	22.3	48
McCook	32.5	37.6	42.8	30
McPherson	19.3	27.6	26.1	44
Marshall	26.9	34.0	30.6	37
Meade	102.3	121.5	131.8	7
Mellette	8.9	11.6	12.4	62
Miner	21.4	23.2	25.6	47
Minnehaha	722.5	826.2	933.6	1
Moody	33.0	40.2	49.4	27
Pennington	436.0	490.4	544.1	2
Perkins	14.8	12.6	27.6	43
Potter	20.2	30.5	26.6	44
Roberts	54.6	55.1	59.6	20
Sanborn	15.7	17.7	21.3	50
Shannon	24.7	26.6	28.8	41
Spink	51.4	58.9	57.4	21
Stanley	10.3	14.6	15.3	59
Sully	10.4	23.2	14.4	60
Todd	26.7	30.7	36.1	33
Tripp	45.2	46.9	51.1	23
Turner	49.5	62.7	74.2	15
Union	62.8	70.5	84.6	13
Walworth	41.6	48.5	49.9	26
Yankton	101.0	111.8	128.9	9
Ziebach	6.6	12.3	10.7	64

*Effective January 1, 1979, Jackson and Washabaugh Counties were combined into a single county with the title Jackson. The estimates for Jackson County 1977-1979 include the data for Washabaugh County.

Source: Bureau of Economic Analysis, U.S. Department of Commerce

County Personal and Per Capita Income

Table IX and Table X list South Dakota county personal income and per capita income respectively. Note that this data is for the years 1977 through 1979 as the 1980 data is not yet available. The 1979 county rank allows a comparison among counties and demonstrates the variability between rank by personal versus per capita income. For example, Haakon County which ranks 51st in personal income, ranks 6th in per capita income. On the other hand, Roberts County which ranks 20th in personal income, ranks 58th in per capita income. Table X also includes the various counties per capita income as a percentage of the national per capita income for the years 1977 through 1979. These percentages allow an analysis of the economic well-being of the various counties over time.

TABLE X
COUNTY PER CAPITA INCOME
SOUTH DAKOTA COUNTIES
(Dollars)

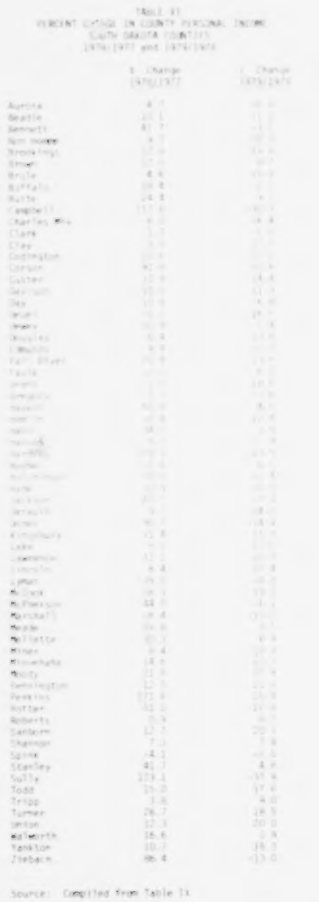
	1977		1978		1979		1979
	% of National Average		% of National Average		% of National Average		County Per Capita Rank
Aurora	62	4,350	59	4,661	63	5,522	54
Beadle	85	5,989	85	6,662	84	7,372	11
Bennett	55	3,860	71	5,584	64	5,643	47
Bon Homme	67	4,721	64	5,060	72	6,310	32
Brookings	75	5,279	75	5,907	76	6,680	26
Brown	86	6,074	86	6,763	87	7,627	5
Brule	62	5,380	77	6,037	84	7,390	9
Buffalo	57	4,014	52	4,842	58	5,094	60
Butte	64	4,501	70	5,465	66	5,758	43
Campbell	52	3,673	107	8,409	70	6,117	40
Charles Mix	62	4,349	59	4,615	61	5,382	56
Clark	76	5,340	69	5,392	61	5,308	57
Clay	71	5,154	59	5,443	71	6,242	36
Codington	81	5,729	81	6,388	82	7,201	14
Corson	38	2,690	67	5,274	49	4,327	65
Custer	68	4,769	67	5,251	70	6,167	38
Davison	84	5,933	84	6,565	84	7,381	10
Day	74	5,218	74	5,790	64	5,607	50
Deuel	77	5,046	61	4,763	64	5,611	49
Dewey	52	3,652	60	4,701	54	4,771	63
Douglas	70	4,916	66	5,175	66	5,776	42
Edmunds	72	5,033	71	5,590	64	5,593	52
Fall River	70	4,959	81	6,311	85	7,453	6
Faulk	94	6,578	84	6,611	83	7,283	12
Grant	79	5,563	68	5,366	74	6,473	31
Gregory	77	5,394	70	5,460	72	6,305	33
Haakon	62	4,356	91	7,152	86	7,520	6
Hamlin	70	4,953	65	5,064	64	5,638	48
Hand	67	4,663	82	6,431	78	6,860	22
Hanson	60	4,250	54	4,273	60	5,761	59
Harding	44	3,083	95	7,433	77	6,768	25
Hughes	94	6,605	93	7,283	90	7,888	2
Hutchinson	71	4,978	77	6,038	79	6,953	17
Hyde	74	5,224	77	6,054	81	7,125	15
Jackson*	47	3,296	71	5,508	65	5,722	45
Jerauld	60	4,236	58	4,588	58	5,038	61
Jones	52	3,685	93	7,303	75	6,588	27
Kingsbury	71	5,015	73	5,698	74	6,492	30
Lake	79	5,550	74	5,817	79	6,900	21
Lawrence	84	5,905	82	6,438	83	7,235	13
Lincoln	77	5,440	71	5,555	76	6,608	24
Lyman	63	4,444	76	5,994	64	5,600	51
McCook	66	4,677	70	5,466	72	6,133	39
McPherson	61	4,314	78	6,118	65	5,678	46
Marshall	59	4,823	76	6,002	62	5,442	55
Meade	77	5,403	80	6,262	75	6,532	29
Mellette	56	3,936	67	5,272	63	5,541	53
Miner	75	5,242	74	5,840	80	7,026	18
Minnehaha	100	7,059	102	8,041	102	8,929	1
Moody	60	4,254	66	5,208	71	6,746	35
Pennington	86	6,182	87	6,799	85	7,669	7
Perkins	65	3,166	58	6,874	68	5,758	43
Potter	71	4,960	98	7,709	79	6,942	19
Roberts	68	4,802	62	4,842	60	5,295	58
Sanborn	55	4,598	68	5,307	72	6,270	34
Shannon	41	2,912	40	3,106	37	3,280	66
Spink	69	5,284	78	6,126	71	6,174	37
Stanley	55	3,866	71	5,561	68	5,974	41
Sully	66	4,643	132	10,340	79	6,957	18
Todd	53	3,770	54	4,243	58	5,037	62
Tripp	81	5,715	75	5,864	75	6,558	28
Turner	72	5,063	83	6,533	87	7,436	4
Union	81	5,706	81	6,366	88	7,691	1
Walworth	76	5,353	82	6,410	78	6,832	23
Yankton	78	5,466	77	6,003	79	6,934	20
Ziebach	41	2,866	66	5,197	52	4,543	64

*Effective January 1, 1979, Jackson and Washabaugh Counties are combined into a single county with the title Jackson. The estimates for Jackson County 1977-1979 include the data for Washabaugh County.

Source: Bureau of Economic Analysis, U.S. Department of Commerce

The final table gives the percentage change in county personal income from 1977 to 1978 and from 1978 to 1979. This table illustrates the counties in which economic activity was strong, as well as the counties in which it was weak during the two periods. The counties with the greatest percentage increase in personal income from 1978 to 1979 were, Moody, Lincoln and Hanson. Those counties experiencing the largest percentage decreases in personal income for the same period were Sully, Campbell and Corson. It can also be noted that

there were over four times as many counties undergoing decreases in county personal income between 1978 and 1979 than between 1977 and 1978 as well as the fact that most of those experiencing growth in the last period did not experience it at such a large extent as during the 1977 to 1978 period.



Source: Compiled from Table II.

Why Do High Interest Rates And Low Price/Earnings Ratios Prevail?

Douglas Kahl and Jerry Johnson

Introduction

Short and long-term interest rates are at or near record levels; bond prices are very low; the stock market is down; and shares of common stock are selling at very low price/earnings multiples. To examine the causes for the current record-high cost for money and the prospects for the future, it is first necessary to examine the economic processes generating these extremely high rates.

About the Authors:
Douglas Kahl is Assistant Professor of Finance at the School of Business, University of South Dakota. Jerry W. Johnson is Professor of Economics and Director of the Business Research Bureau, School of Business, University of South Dakota.

The Determination of Rent Rates

Economic participants (either individuals or groups) have a current supply of money and current uses for money. If the participant's current supply of money is less than his current uses for money he may be willing to rent money from a participant whose current supply of money exceeds his current uses for money. When the exchange of money is made a security is generated. The security is simply a right to, or expectation of, a return flow of money in the future.

Securities are generally divided into two basic types: debt and equity. Debt securities are generally characterized as contracts specifying payments of fixed amounts at specified times in the future. Equity securities carry rights to ownership of a portion of the firm, its assets and its income; and the expectation of future cash flows resulting from these rights. In either case, the future cash flows are partially a return of the money invested and partially a rent paid for use of the money for a period of time.

Rent rates for the use of money are determined by three interacting components. First, an inflation premium is required. When an investor allows someone to use his money for a period of time he will want a rate of return which is at least equal to the expected rate of inflation. In this way the investor will try to insure that he will not have less purchasing power when his money is returned than when he loaned the money to another. Second, a real rate of return is required. The investor will want some real rent (after adjusting for inflation) in exchange for allowing someone else to use his money for a period of time. Third, a risk premium is required. That is, the greater the possibility that the actual rent the investor receives will be less than the rent he expected, the greater the rent which will be required by the investor.

Causes of High Rent Rates

Of the three components of the rent rate, it is most often argued that the expected inflation component is primarily responsible for the current high rates. For more than a decade inflation rates have been rising. As a result participants in the financial markets have formed reasonable expectations that future inflation rates will be high and continue to increase. While it may be that other factors could force rent rates below inflationary expectations temporarily, it is doubtful that this situation could continue for any extended period of time. The inflation rate itself is symptomatic of other underlying factors. The factors underlying inflation, along with other factors affecting the real return and the risk premiums, are many and complex. Any easy explanation will be overly simplistic at best. However several can be noted.

Goverment: Much of the economic and financial literature places the blame for high interest rates on the past fiscal policy of the federal government. The percentage of Gross National Product attributable to the government has increased from approximately 15 percent in 1963 to approximately 20 percent today. At the same time the federal debt has increased steadily and will exceed one trillion dollars in the near future. Many economists argue that such fiscal policy, especially over such a long time span, is inflationary. In addition, the extreme growth in the supply of government securities has tended to increase rent rates and crowd the private sector out of the security markets.

Other analysts place the blame on the Federal Reserve and its monetary policies. The rate of growth in the money supply has increased steadily since 1960 and was approximately 6 percent in the 1970's. It is argued that the growth of the money supply has been greater than the overall productivity growth in the economy with higher and higher price levels as a result. In addition, the Fed has become known in recent years for rapid and unanticipated changes in its monetary policy. These rapid changes between "tight" to "easy" money increase the uncertainty for all participants in the financial markets. An increase in the uncertainty would generally result in an increase in the risk premium.

Private Investment: In addition to the problems resulting from the fiscal policy of the legislative and executive branches of government and the monetary policy of the Fed, several private sector causes can also be identified. It can be argued that declining productivity is both a cause and result of increasing inflation. During the 1950 to 1965 period the growth in output per man-hour was approximately 2.4 percent. However, throughout the 1970's the increase in productivity dropped steadily to a negative rate of growth in 1980. The decline in productivity can be partially attributed to the low level of investment by the private sector. The extent to which the rate of investment is lagging in the U.S. is shown by comparing the portion of GNP going into business investment in the U.S. compared to other countries. For example, the U.S. uses less than 10 percent of GNP in business investment while Japan uses between 25 and 30 percent. While declining productivity may contribute to inflation, inflation and resulting high rent rates make the money necessary for increased business investment more and more expensive and the results of the increased investment more uncertain.

In addition, such factors as the increased cost of energy and the cost of increasing government regulation may have contributed to both declining productivity and increased inflation.

Savings: Historically most financial institutions depended on small savers in regional markets as a major source of funds. However, as the rate of inflation increased, the return to the small saver under government-mandated interest rates became substantially less than the rate of inflation. This environment resulted in the creation of money market funds, where many small savers could earn a near market rate of return, generally higher than the rate of inflation, while taking relatively little risk. This flight of the small saver has now reached the point where the amount invested in money market funds reaches new record highs on an almost weekly basis. The flight of the small saver has in turn forced the banks and thrift institutions into national money and capital markets as a source of funds. The obvious risk of combining a long-term fixed-return investment portfolio with a heavily levered, short-term financial structure is having a serious and perhaps disastrous effect on the thrift industry. Solving the problems of this industry will involve more than lower interest rates. A more rational financial structure will be required, since small savers are unlikely to return to an environment in which they subsidize the business and mortgage borrower on a regional basis.

Another major factor affecting the demand for securities is the savings rate. Economic participants save a portion of their current income. This savings creates demand for securities. The U.S. savings rate has been declining for many years and is currently lower than the savings rate for most industrialized countries. The substantial increase in social programs over many years may be a major cause of the declining savings rate. Programs such as Social Security decrease the incentive for individuals to save for the future. Such programs, however, are simply income transfers among individuals and do not result in savings which can be used to increase future output. The end result of such programs is to expand the consumption of the current adult population while placing a double burden on their descendants. First, the next generations must pay the cost of retirement for the current generation who did not save enough for their retirement; and second, future generations will have to pay that cost without the increased productivity and output which would have resulted from the savings which were not generated by the current generation.

To this point we have discussed rent rates and securities markets as a whole. While the securities markets are strongly interrelated, securities are differentiated in several ways. In the next issue of the **Review** we will discuss the current situation and future prospects for short-term debt (money) markets, long-term debt (bond) markets and equity (stock) markets.

GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
First Half 1980 and First Half 1981
(In $000's)

The dollar amount reported as TOTAL GROSS on the South Dakota Department of Revenue State and City Sales and Use Tax Return

	1st Half 1980	1st Half 1981	% Change 1st Half 1980/1981
REGION I			
Brookings	79,346	93,302	17.6
Brookings	65,622	76,846	17.1
Elkton	3,102	3,321	7.1
Volga	3,043	2,936	-3.5
Clark	10,864	12,342	13.6
Clark	6,937	7,170	3.4
Codington	118,708	133,488	12.5
Watertown	113,584	127,068	11.9
Deuel	13,584	14,879	9.5
Clear Lake	7,991	8,622	7.9
Gary	996	1,048	5.2
Grant	34,141	37,462	9.7
Big Stone	1,526	1,106	-27.5
Milbank	27,974	31,058	11.0
Hamlin	14,002	16,396	17.1
Bryant	2,924	3,652	24.9
Castlewood	1,933	2,760	42.8
Estelline	3,269	3,328	1.8
Hayti	2,597	2,757	6.2
Kingsbury	27,509	30,786	11.9
Arlington	7,988	9,112	14.1
DeSmet	7,832	8,131	3.8
Lake Preston	4,419	4,554	3.0
Lake	40,322	47,545	17.9
Madison	35,959	42,444	18.0
Miner	10,670	15,232	42.8
Howard	7,327	11,333	54.7
Moody	23,702	27,492	16.0
Colman	7,835	10,033	28.1
Flandreau	11,679	12,264	5.0
TOTAL	372,847	428,925	15.0

	1st Half 1980	1st Half 1981	% Change 1st Half 1980/1981
REGION II			
Clay	32,134	35,334	20.0
Vermillion	29,059	32,123	10.5
Lincoln	39,123	42,794	9.4
Canton	19,052	22,382	17.5
Hudson	1,105	1,011	-8.5
Lennox	5,008	4,823	-3.4
McCook	28,583	29,019	1.5
Bridgewater	5,687	5,831	2.5
Canistota	2,783	2,848	2.4
Salem	15,531	14,898	-4.1
Spencer	2,379	3,035	27.5
Minnehaha	775,377	864,514	11.5
Brandon	3,060	3,609	18.0
Colton	5,317	7,243	36.2
Dell Rapids	11,461	13,248	15.6
Garretson	6,289	6,111	-2.8
Hartford	4,563	5,572	22.1
Sioux Falls	693,346	771,165	11.2
Turner	28,296	46,834	65.5
Centerville	2,919	2,921	.1
Marion	9,043	16,082	77.8
Parker	6,978	6,592	-5.5
Viborg	4,382	9,545	117.8
Union	41,611	46,880	12.7
Alcester	6,191	6,319	2.1
Beresford	13,548	14,587	7.7
Elk Point	5,659	6,373	12.6
N. Sioux City	13,543	16,718	23.4
TOTAL	945,125	1,065,374	12.7

	1st Half 1980	1st Half 1981	% Change 1st Half 1980/1981
REGION III			
Aurora	10,806	10,336	-4.3
Plankinton	4,063	4,259	4.8
Bon Homme	25,404	26,661	4.9
Avon	4,136	4,334	4.8
Scotland	6,252	6,302	.8
Springfield	3,828	3,946	3.1
Tyndall	8,820	9,110	3.3
Tabor	2,328	2,925	25.6
Brule	21,904	26,545	21.2
Chamberlain	16,078	19,673	22.4
Kimball	4,970	5,851	17.7
Charles Mix	31,192	35,642	14.3
Geddes	2,302	2,698	17.2
Lake Andes	3,978	4,474	12.5
Platte	11,366	11,752	3.4
Wagner	12,499	15,497	24.0
Davison	125,502	129,041	2.8
Mitchell	118,430	119,583	1.0
Douglas	14,421	17,104	18.6
Armour	5,101	5,080	-.4
Corsica	7,455	10,070	35.1
Gregory	25,878	27,523	6.4
Burke	4,568	4,584	.3
Gregory	12,597	12,969	3.0
Hanson	12,926	15,232	17.8
Alexandria	8,754	10,240	17.0
Emery	2,560	2,868	12.0
Hutchinson	39,615	41,296	4.2
Freeman	14,565	15,283	4.9
Menno	5,233	4,608	-11.9
Parkston	12,687	13,864	9.3
Tripp	3,506	3,094	-11.8
Jerauld	13,564	15,371	13.3
Wess. Sprgs.	9,531	10,322	8.3
Sanborn	7,383	8,304	12.5
Woonsocket	5,466	6,185	13.2
Yankton	127,144	143,096	12.5
Yankton	120,533	135,184	12.2
TOTAL	455,738	496,152	8.9

	1st Half 1980	1st Half 1981	% Change 1st Half 1980/1981
REGION IV			
Beadle	87,893	98,267	11.8
Huron	80,605	89,800	11.4
Brown	202,999	228,808	12.7
Aberdeen	182,118	204,735	12.4
Groton	8,625	9,475	9.8
Day	29,868	33,119	10.9
Bristol	3,740	4,200	12.3
Waubay	1,529	2,078	35.9
Webster	20,508	21,841	6.5
Edmunds	15,571	17,564	12.8
Bowdle	4,111	4,449	8.2
Hosmer	1,175	1,247	6.2
Ipswich	7,501	8,766	16.9
Roscoe	2,691	3,027	12.5
Faulk	8,273	9,030	9.1
Faulkton	3,829	4,167	8.8
Hand	17,186	17,466	1.6
Miller	15,383	15,624	1.6
Marshall	18,337	19,808	8.0
Britton	15,125	16,294	7.7
McPherson	11,735	12,381	5.5
Eureka	6,782	9,247	5.3
Leola	2,414	2,693	11.6
Roberts	29,128	32,503	11.6
Sisseton	14,381	15,414	7.2
Wilmot	4,200	4,962	18.2
Spink	23,205	24,544	5.8
Doland	1,805	1,657	-8.2
Redfield	15,298	17,240	12.7
TOTAL	444,196	493,490	11.1

	1st Half 1980	1st Half 1981	% Change 1st Half 1980/1981
REGION V			
Buffalo	463	1,785	285.4
Campbell	9,295	10,704	15.2
Herreid	3,215	3,084	-4.1
Pollock	5,534	7,048	27.4
Corson	6,852	6,976	1.8
McIntosh	1,232	1,520	23.4
McLaughlin	3,272	3,363	2.8
Dewey	11,725	11,854	1.1
Eagle Butte	5,522	5,814	5.4
Isabel	2,099	1,966	-6.3
Timber Lake	3,123	3,031	-3.0
Haakon	13,445	18,206	35.4
Philip	11,629	16,224	39.5
Hughes	64,284	70,338	9.4
Pierre	61,322	66,294	8.1
Blunt	1,957	2,780	42.1
Hyde	9,283	9,807	5.6
Highmore	9,071	9,587	5.7
Jones	8,268	8,734	5.6
Murdo	7,394	7,822	5.8
Lyman	8,673	9,682	11.6
Presho	3,025	2,732	-9.7
Mellette	2,480	2,626	5.9
White River	1,427	1,589	11.4
Perkins	16,547	17,816	7.7
Lemmon	13,531	14,988	10.8
Potter	20,940	23,095	10.3
Gettysburg	13,247	14,608	10.3
Hoven	6,630	7,002	5.6
Stanley	12,273	9,767	-20.4
Ft. Pierre	12,271	9,764	-20.4
Sully	7,919	7,232	-8.7
Onida	7,201	6,382	-11.4
Tripp	35,780	36,217	1.2
Winner	34,710	35,090	1.1
Todd	7,745	8,254	6.6
Mission	6,456	7,181	11.2
Walworth	33,290	35,063	5.3
Selby	7,932	9,017	13.7
Mobridge	22,143	22,257	.5
Ziebach	2,580	2,671	3.5
Dupree	2,425	2,500	3.1
TOTAL	271,844	290,828	7.0

	1st Half 1980	1st Half 1981	% Change 1st Half 1980/1981
REGION VI			
Bennett	9,933	10,766	8.4
Martin	9,650	10,493	8.7
Butte	31,321	34,986	11.7
Belle Fourche	24,945	28,906	15.9
Newell	3,466	3,650	5.3
Custer	13,946	15,742	12.9
Custer	12,434	14,050	13.0
Fall River	20,654	22,428	8.6
Edgemont	5,356	5,788	8.1
Hot Springs	13,125	14,056	7.1
Harding	2,563	3,099	20.9
Buffalo	2,104	2,664	26.6
Jackson	7,026	9,055	28.9
Kadoka	6,374	8,171	28.2
Lawrence	141,970	138,144	-2.7
Deadwood	17,917	21,318	19.0
Lead	88,886	82,547	-7.1
Spearfish	23,755	24,190	1.8
Whitewood	6,225	5,037	-19.1
Meade	37,176	39,904	7.3
Faith	3,772	4,386	16.3
Sturgis	27,786	28,768	3.5
Pennington	409,242	472,597	15.5
Rapid City	380,762	440,949	15.8
Wall	8,660	9,953	14.9
Shannon	3,821	3,241	-15.2
Pine Ridge	1,710	1,000	-41.5
Washabaugh	225	167	-25.7
TOTAL	677,875	750,129	10.7
STATE TOTAL	3,167,625	3,524,897	11.3

LOCAL BUSINESS CONDITIONS

	Jan.-Sept. 1980	Jan.-Sept. 1981	% Change Jan.-Sept. 1980/1981
Aberdeen			
Advertising Lineage Index	188.7	190.0	0.7
Building Permits	1,494,400	765,000	-48.8
Value of Postal Receipts	1,952,743	2,144,848	9.8
Value of Postal Money Orders	322,486	393,799	22.1
Telephones in Service (Sept.)	29,128	28,708	-1.4
Brookings			
Building Permits	1,351,280	1,719,500	27.2
Value of Postal Receipts	747,242	866,273	15.9
Value of Postal Money Orders	167,409	165,449	-1.2
Huron			
Building Permits	844,303	379,930	-55.0
Value of Postal Receipts	776,511	845,325	8.9
Value of Postal Money Orders	185,959	207,209	11.4
Telephones in Service	14,511	14,502	-0.1
Mitchell			
Building Permits	1,485,427	1,276,899	-14.0
Value of Postal Receipts	690,268	793,667	15.0
Value of Postal Money Orders	168,187	187,961	11.8
Telephones in Service (Sept.)	14,751	14,921	1.2
Pierre			
Building Permits	1,596,400	2,112,850	32.4
Value of Postal Receipts	1,287,011	1,334,595	3.7
Value of Postal Money Orders	183,777	210,357	14.5
Telephones in Service	15,524	15,537	0.1
Rapid City			
Advertising Lineage Index	182.0	199.3	9.5
Building Permits	5,209,263	2,676,125	-48.6
Value of Postal Receipts	2,659,303	3,072,515	15.5
Value of Postal Money Orders	802,196	812,272	1.3
Telephones in Service (Sept.)	64,668	63,561	-1.7
Sioux Falls			
Advertising Lineage Index	210.9	193.4	-8.3
Building Permits	19,757,701	6,128,893	-69.0
Value of Postal Receipts	6,114,760	7,967,805	30.3
Value of Postal Money Orders	891,406	825,545	-7.4
Telephones in Service	87,190	86,962	-0.3
Watertown			
Building Permits	2,675,349	2,180,069	-18.5
Value of Postal Receipts	901,677	2,806,513	211.3
Value of Postal Money Orders	186,257	280,853	50.8
Telephones in Service	16,582	16,970	2.3
Yankton			
Building Permits	1,769,812	1,776,420	0.4
Value of Postal Receipts	1,511,767	1,604,143	6.1
Value of Postal Money Orders	206,891	257,910	24.7
Telephones in Service (Sept.)	14,046	13,536	-3.6

TELEPHONES IN SERVICE
Selected Cities--South Dakota
September 1980 and September 1981

City	Sept. 1980	Sept. 1981	% Change Sept. 1981/1980
Aberdeen	29,128	28,708	-1.4
Belle Fourche	4,857	4,910	1.1
Canton	3,347	3,349	0.1
Chamberlain	2,857	2,948	3.2
Deadwood	3,318	3,403	2.6
DeSmet	1,732	1,743	0.6
Elk Point	1,833	1,791	-2.3
Hot Springs	4,143	4,276	3.2
Huron	14,511	14,502	-0.1
Lead	3,577	3,607	0.8
Madison	6,789	6,822	0.5
Milbank	5,037	5,111	1.5
Mitchell	14,751	14,921	1.2
Mobridge	4,291	4,328	0.9
Pierre	15,524	15,537	0.1
Rapid City	64,668	63,561	-1.7
Redfield	4,373	4,390	0.4
Sioux Falls	87,190	86,962	-0.3
Sturgis	6,549	6,433	-1.8
Tyndall	1,317	1,319	0.2
Vermillion	9,243	9,472	2.5
Watertown	16,582	16,970	2.3
Webster	2,835	2,831	-0.1
Wessington Springs	1,761	1,761	---
Winner	4,663	4,670	0.2
Yankton	14,046	13,536	-3.6

Source: Northwestern Bell

CONSUMER PRICE INDEX
United States
Jan. - Sept. 1981

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	% Change Sept. - Jan.
All Items	260.5	261.2	261.5	262.8	264.4	267.1	268.4	271.5	272.3	4.5
Food & Beverages	251.4	253.1	254.5	256.0	256.8	258.4	259.1	260.1	260.6	3.6
Food	250.5	252.0	253.4	254.9	255.7	257.4	258.1	259.0	259.5	3.6
Alcohol	268.1	270.6	272.1	273.6	274.5	276.0	277.1	278.4	279.2	4.1
Housing	274.1	275.3	275.6	276.8	278.1	279.7	280.5	281.4	282.5	3.1
Shelter	300.1	302.0	302.6	303.9	305.4	307.3	308.2	309.2	310.4	3.4
Rent, Res.	200.9	201.9	202.3	203.4	204.6	205.8	206.7	207.7	208.7	3.9
Home Own.	335.9	337.9	338.6	340.1	341.9	344.0	345.0	346.1	347.3	3.5
Fuel & Other Util.	396.2	394.6	394.4	397.0	398.4	401.1	401.5	406.1	406.1	10.6
Fuels	476.4	467.4	465.7	466.1	473.4	477.1	477.1	479.5	479.4	12.5
Fuel, Oil, etc.	625.9	614.3	612.3	612.8	622.4	627.4	627.4	630.4	630.4	7.4
Gas & Elect.	416.7	411.4	409.1	410.0	414.8	417.5	417.5	419.7	419.6	14.4
Other	191.1	193.8	194.2	196.1	196.6	197.4	197.4	199.4	199.4	4.4
Household Furn.&Oper.	212.6	214.9	215.3	215.9	216.4	217.2	217.2	218.5	218.5	3.5
Apparel & Upkeep	181.1	180.1	180.1	180.8	182.0	183.8	183.8	184.7	185.2	2.1
Transportation	264.1	265.4	266.1	267.1	268.1	270.4	271.4	274.1	274.1	3.8
Private	262.1	264.1	264.8	265.8	266.8	269.1	269.8	272.5	272.5	3.8
Public	286.0	286.1	286.1	286.1	286.1	286.1	286.1	286.1	286.1	3.8
Medical Care	274.1	275.1	275.1	276.1	277.1	278.1	278.1	279.1	280.1	3.4
Entertainment	214.1	215.1	215.1	216.1	217.1	218.1	218.1	219.1	220.1	3.4
Other Goods & Serv.	229.1	230.1	230.1	231.1	232.1	233.1	233.1	234.1	235.1	3.4

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SCHOOL OF BUSINESS
THE UNIVERSITY OF SOUTH DAKOTA
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7101 WISCONSIN AVE
WASHINGTON DC 20015

HOURS AND EARNINGS OF PRODUCTION WORKERS*
Sept. 1980 and Sept. 1981

	Average Weekly Earnings		Average Weekly Hours		Average Hourly Earnings	
	Sept. 1981	Sept. 1980	Sept. 1981	Sept. 1980	Sept. 1981	Sept. 1980
South Dakota Statewide						
Manufacturing	297.56	277.44	41.6	40.8	7.17	6.80
Durable Goods	271.93	247.80	41.9	41.3	6.49	6.00
Lumber & Furniture	270.72	261.88	38.4	41.9	7.05	6.25
Fabricated Metals & Mach.	273.26	227.33	42.3	38.4	6.46	5.97
Nondurable Goods	321.36	306.23	41.2	40.4	7.80	7.58
Food & Kindred Products	399.53	360.64	42.1	41.5	9.49	8.69
Paper, Printing & Publishing	247.42	219.30	36.4	34.7	6.66	6.32
Sioux Falls SMSA						
Manufacturing	421.36	382.34	44.4	43.3	9.49	8.83
Durable Goods	286.12	274.39	40.7	41.7	7.03	6.58
Nondurable Goods	445.05	404.17	45.0	43.6	9.89	9.27
Rapid City SMSA						
Manufacturing	257.14	218.75	37.1	32.6	6.91	6.71

*Average hours and earnings data are derived from reports of payrolls and hours for production and related workers.

Source: South Dakota Department of Labor, "Labor Bulletin"

TOTAL PERSONAL INCOME
United States, Plains Region and States
First Quarter 1980 through Second Quarter 1981
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1980				1981		% Change 2nd Qtr. 1981/ 2nd Qtr. 1980
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	
United States	2,062,761	2,088,490	2,155,782	2,228,277	2,292,539	2,340,535	12.1
Plains States	153,708	153,795	158,134	162,250	166,315	169,847	10.4
Iowa	26,355	26,281	26,844	27,340	27,935	28,521	8.5
Kansas	22,721	22,974	23,693	24,467	24,992	25,536	11.2
Minnesota	38,009	37,964	39,001	39,978	41,091	41,913	10.4
Missouri	42,509	42,390	43,780	44,927	46,189	47,272	11.5
Nebraska	13,687	13,641	14,122	14,352	14,694	14,994	9.9
North Dakota	5,404	5,493	5,536	5,902	5,996	6,119	11.4
South Dakota	5,024	5,052	5,159	5,284	5,418	5,491	8.7

Note: Detail may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT*
Sept. 1980 and Sept. 1981
(In Thousands)

	Sept. 1981	Sept. 1980	% Change Sept. 1981 from Sept. 1980
Total Nonagricultural	233.5	238.1	- 1.9
Manufacturing	25.8	25.2	2.4
Durable Goods	12.8	12.7	0.8
Lumber & Furniture	1.0	1.1	- 9.1
Fabricated Metals & Machinery	8.4	8.3	1.2
Other Durable Goods	3.4	3.3	3.0
Nondurable Goods	13.0	12.5	4.0
Food & Kindred Products	7.3	7.5	- 2.7
Paper, Printing & Publishing	2.4	2.3	4.3
Other Nondurable Goods	3.3	2.7	-10.8
Nonmanufacturing	207.7	212.9	- 2.4
Mining	2.9	2.9	0.0
Construction	10.3	11.7	-12.0
Transportation & Public Utilities	13.5	13.6	- 0.7
Railroads	1.2	1.2	0.0
Other Transportation	6.6	6.6	0.0
Communications & Public Utilities	5.7	5.8	- 1.7
Trade	63.1	64.9	- 2.8
Wholesale Trade	16.6	17.0	- 2.4
Durable Goods	7.4	7.9	- 6.3
Nondurable Goods	9.2	9.1	1.1
Retail Trade	46.5	47.9	- 2.9
Finance, Insurance & Real Estate	11.1	11.1	0.0
Services	51.0	51.2	- 0.4
Hotels, Amuse., Pers. & Business	13.5	13.4	0.7
Medical and Health	21.5	20.5	4.9
Educational, Membership & Social	13.4	14.7	- 8.8
Other	2.6	2.6	0.0
Government	55.8	57.5	- 3.0
Federal	10.7	10.9	- 1.8
State	15.1	15.8	- 4.4
State Education	7.0	7.4	- 5.4
Other State	8.1	8.4	- 3.6
Local	30.0	30.8	- 2.6
Local Education	16.4	17.2	- 4.7
Other Local	13.6	13.6	0.0

*This category includes full and part-time workers on the payrolls of nonagricultural establishments for the week including the 12th of the month.

Source: South Dakota Department of Labor, "Labor Bulletin"

CROP PRODUCTION SUMMARY
South Dakota
As of October 1, 1981
(000's Bushels)

	1980	1981	Production 1981 as % of 1980
Corn for Grain	121,980	145,600	117
All wheat	62,435	78,175	125
Rye	4,030	2,940	73
Oats	66,000	64,000	97
Barley	13,860	16,500	119
Flaxseed	3,485	2,145	62
Soybeans	20,020	22,330	112
Sorghum for Grain	10,725	19,070	180
All Hay	5,359	4,805	90

Source: South Dakota Crop and Livestock Reporter

PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD--SOUTH DAKOTA

Commodity and Unit		Base Period Price 1910-1914 Average	Price Sept. 1981	Price Sept. 1980	1981 Price as % of Base	% Change Sept. 81/ Sept. 80
Wheat	Bu.	.85	3.62	4.45	426	-18.7
Corn	Bu.	.51	2.43	2.61	476	- 6.9
Oats	Bu.	.35	1.68	1.47	480	+14.3
Barley	Bu.	.59	2.14	2.79	363	-23.3
Flaxseed	Bu.	1.68	6.44	7.24	383	-11.1
Milk, whsl.	Cwt.	1.82	13.10	12.60	720	+ 4.0
Eggs	Doz.	.196	NA	.361	NA	NA
Cattle	Cwt.	5.24	60.40	69.60	11527	-13.2
Calves	Cwt.	6.08	73.00	85.40	12007	-14.5
Hogs	Cwt.	7.07	48.50	46.70	686	+ 3.9
Sheep	Cwt.	4.24	20.50	29.40	484	-30.3
Lambs	Cwt.	5.66	53.80	67.30	950	-20.1
Wool	Lb.	.178	.810	.730	455	+11.0

Source: South Dakota Crop and Livestock Reporter

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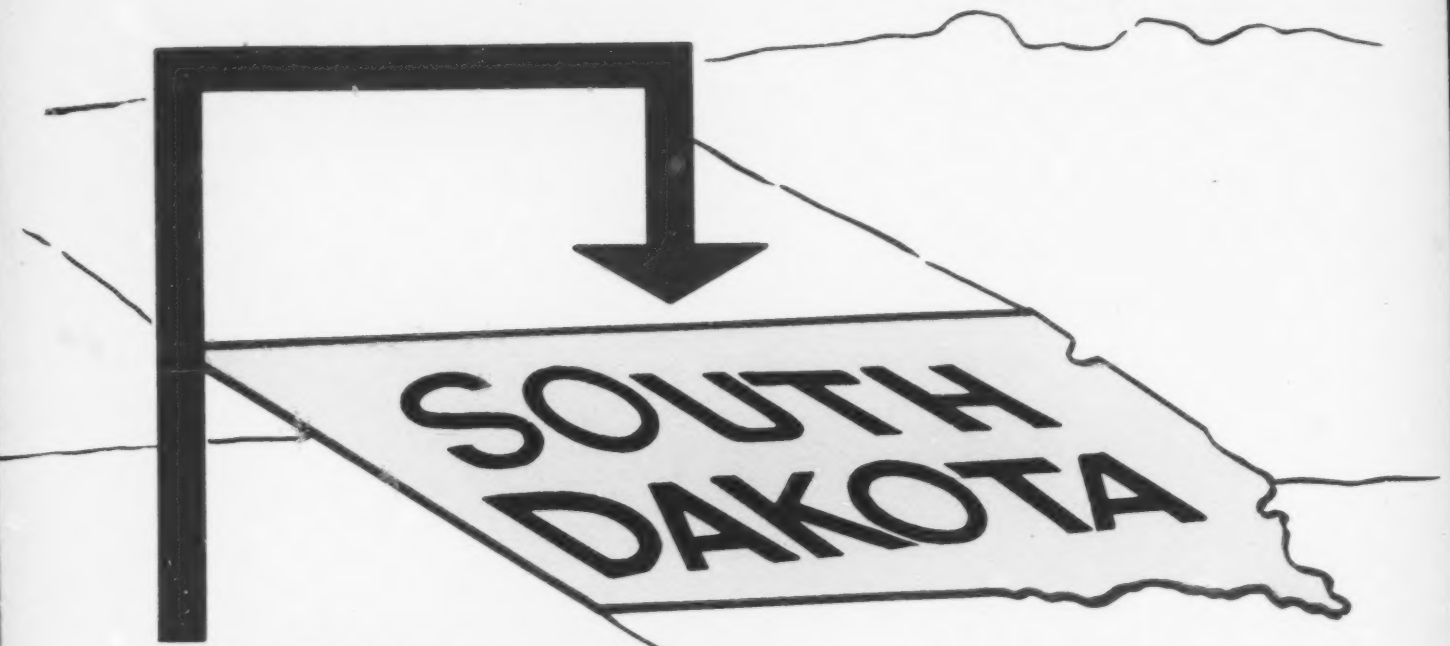

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PERSPECTIVE 1981-OUTLOOK 1982

Jerry W. Johnson and Ralph J. Brown

The December 1981 rate of unemployment in South Dakota was reported at 5.3 percent, up a tenth of a percentage point from the previous December. Depressed economic conditions are not unique to the State of South Dakota; the national unemployment rate is approaching 9 percent. This article is a review of the factors at the national and state levels which have resulted in the current conditions, and a preview of 1982.

About the Authors:
Dr. Jerry Johnson is Director of the Business Research Bureau and Professor of Economics at the School of Business, University of South Dakota. Dr. Ralph Brown is Professor of Economics at the School of Business, University of South Dakota.

National Economy

Following the depressed conditions of 1980, most economists anticipated improved conditions in 1981. First quarter conditions appeared to fullfill expectations with real gross national product growing at an annual rate of 8.6 percent. Second and third quarter figures, however, revealed that sufficient strength was not present to sustain the growth of the first quarter. Indeed it appeared that weaknesses existed in both the consumer and the business sectors. Table 1 shows the percent change in real gross national product as well as its components.

Table 1
Real Gross National Product by Component
Percent Change from Preceding Quarter
United States-1972 Dollars
(Seasonally Adjusted Annual Rates)

	1980-1	1980-2	1980-3	1980-4	1981-1	1981-2	1981-3
Gross National Product (1972 Dollars)	2.7	-8.0	7.4	3.0	8.6	-3.6	-0.6
Personal Consumption Expenditures	0.8	-0.8	5.1	7.1	5.0	-2.1	4.3
Durable Goods	-1.6	-43.2	21.9	21.1	20.0	-21.3	15.4
Nondurable Goods	0.2	-5.3	-1.9	6.3	6.0	2.8	1.3
Services	2.0	0.0	6.4	3.7	3.4	1.6	3.5
Fixed Investment	-5.3	-31.8	2.0	15.6	11.0	-7.7	-6.9
Nonresidential	2.2	-16.8	-1.5	3.9	13.8	2.2	-0.2
Residential	-24.3	-60.0	15.7	64.2	9.2	-27.8	-33.3
Exports	10.9	-12.4	0.0	-7.5	13.6	-2.4	-6.6
Imports	11.4	-21.8	-20.6	25.9	20.3	14.3	10.8
Gov't. Purchases of Goods & Serv.	6.4	2.5	-5.0	2.1	-1.3	-1.5	-0.8
Federal	10.4	12.0	-13.0	1.9	14.9	-4.3	5.6
State and Local	-0.7	-2.8	0.2	-2.8	-3.2	-1.9	-3.9
Other Indices:							
Implicit GNP Deflator	9.3	9.6	9.7	10.7	9.5	8.8	9.4
Consumer Price Index	14.5	13.1	7.9	12.8	10.9	7.5	10.9
Wholesale Price Index	16.9	9.3	13.6	9.6	17.1	9.3	7.6
Industrial Production Index:							
Total (1967=100)	152.6	144.5	147.1	149.7	152.8	152.5	152.1
Capacity Utilization (Percent)	81.4	77.0	78.4	79.1	79.9	79.0	78.5
Disposable Personal Income	3.1	-4.9	4.1	2.6	3.0	1.6	2.3

Source: Chase Econometrics, Inc. and Business Conditions Digest

Looking at the consumer sector it is clear that much of the weakness was in the durable goods industries. As the durable goods industry is highly sensitive to interest rates the peaking of interest rates in the second quarter largely explains this decline. Conversely, declining interest rates in the third quarter precipitated an upturn in durable goods.

Personal income of the consumer continued to grow throughout 1981 though at a decreased rate. Also important is the declining rate of inflation, reported at 8.9 percent in the fourth quarter (implicit GNP deflator). Slower inflation bolsters the real purchasing power of consumers and if maintained throughout 1982 will encourage increased spending. Further stimulus can be expected from last year's tax cut, although a portion of the tax cut was offset by increased Social Security contributions. The benefits of the tax cut should be felt most strongly in the second half of 1982.

Consumers trying to maintain current standards of living can borrow against future income through installment purchases. Growth in consumer installment debt peaked in 1978, about the same time that the saving rate reached record lows. Finally, in the early months of 1980, the inflation rate peaked. Consumer installment debt actually declined in the second and third quarters of 1980, then it reversed and grew throughout 1981. Consumers may again reverse themselves if they

respond to the savings incentives built into the tax program of the Reagan administration. Indeed, it is these incentives, along with the consumers' current efforts to reduce debts that account for the risk in further decline in consumer demand. For this reason, increased consumer demand should probably not be expected until late in 1982.

For some time economists have been expecting stimulus from the business sector, but this clearly did not occur in 1981. Several reasons for this can be identified. First, the low rate of capacity utilization exerts little pressure for adding further to productive capacity. Second, throughout the past year corporate profits have declined. Finally, and particularly evident, was the rapid rise in interest rates in the second and third quarters. This latter movement was particularly damaging in the residential construction industry. Also, businesses, like consumers, were striving to improve their asset portfolios. This was especially evident in the sell-off of inventories in the latter part of 1981. Although inventories had not grown to excessively high levels, high interest rates made it imperative that inventory policies reflect the high costs imposed.

Despite the failure of the business sector to provide the necessary stimulus in 1981, there is reason to expect improvement in the future. One reason involves demography. Women, youth, and minorities are not expected to enter the labor force as rapidly as they have in the past several years. Consequently, labor resources will become relatively expensive, creating an incentive to use more capital imputs. Another expected incentive to investment is tax breaks provided to business by the tax package of 1981. Finally, the need for still more energy efficiency may provide further incentive to investment. If these incentives materialize, it is possible that the nation will see a stong investment-led recovery over the next several years, although it may be a few years in coming.

A present source of great uncertainty is the unknown direction of government spending. It is not possible to know how the "new federalism" proposed in the President's State of the Union Address will affect the overall level of government spending, but it seems unlikely to these authors that government spending (Federal, State, and Local) will decrease. The level of the Federal deficit will very likely continue to be of concern and continue to cast uncertainty over the credit markets.

Adding further to uncertainty in the credit markets is the question of the resolve of the Federal Reserve to stick to its current monetary policy. If the Federal Reserve does continue a restrictive policy, continued high interest rates can be expected although not necessarily of the same levels as have been seen in the recent past. Since October 1979 the shift of the Federal Reserve to greater emphasis on the direct control of the monetary aggregates has resulted in increased fluctuations in interest rates. These increased fluctuations, along with the uncertainties of fiscal policy, have and will continue to affect the national economy for the foreseeable future.

Table 2 presents the forecasts of several forecasting organizations for 1982. Particulary noteworthy in these forecasts is their similarity. All forecasters see little growth for the full year. Most are forecasting continued decline in the first two quarters. Most also think inflation will remain at a lower rate; the price for low inflation being a higher level of unemployment.

Table 2
1982 As Seen By Economic Forecasters
(Percent Change from 1981)

	Real GNP	GNP Deflator	Consumer Price Index	Unemployment Rate
Chase Econometrics	+.1	+8.3	+8.9	8.6
Data Resources	-.6	+7.7	+8.2	8.6
Wharton Econometrics	-.4	+8.5	+7.8	8.9
The Conference Board	-.6	+6.7	+7.2	8.9
Evans Economics	+.2	+7.5	+8.1	8.1

To summarize, we expect the continued high level of uncertainty in both monetary and fiscal policy to prolong a low level of growth in the national economy.

South Dakota Economy

Introduction

Against the backdrop of two national recessions in as many years, record high interest rates, and the worst farm economy at the state level in 45 years the South Dakota economy made little progress in 1981. Two sectors of the economy, agriculture and construction, have been hit particularly hard this past year. Closely related sectors that were also adversely affected include durable wholesale trade

Table 3
South Dakota Labor Market Model
Selected Economic Indicators

DESCRIPTION	ANNUAL DATA 1977	1978	1979	1980	1981
South Dakota Indicators					
Personal Income (Millions)	3819.2	4372.0	4816.7	5129.7	5584.5
(% Change)	12.4	14.5	10.2	6.5	8.9
Personal Income (1972 $'s)	2717.8	2916.1	2989.5	2343.5	2881.9
(% Change)	6.4	7.3	1.1	-3.6	1.3
Nonfarm Pers. Inc. (Millions)	3557.2	3963.0	4430.0	4931.5	5426.6
(% Change)	8.8	11.4	11.8	11.3	10.0
Nonfarm Pers. Inc. (1972 $'s)	2531.4	2643.3	2712.8	2733.6	2800.5
(% Change)	3.1	4.4	2.6	0.8	2.4
Wage & Salaries (Millions)	2056.6	2329.2	2593.0	2821.7	3053.9
(% Change)	9.5	13.3	11.3	8.8	8.2
Wage & Salaries (1972 $'s)	1463.4	1553.6	1587.9	1564.2	1576.0
(% Change)	3.6	6.2	2.2	-1.5	0.8
Farm Income (Millions)	268.2	416.5	395.5	207.0	166.8
(% Change)	98.3	55.3	-5.0	-47.7	-19.4
Farm Income (1972 $'s)	190.9	277.8	242.2	114.7	86.1
(% Change)	87.8	45.5	-12.8	-52.6	-25.0
Tot. Employment (Thousands)	307.3	317.9	326.1	322.0	319.4
(% Change Year-Over-Year)	1.9	3.5	2.6	-1.3	-0.8
Nonag. Employment (Thousands)	226.6	236.4	241.3	237.6	234.1
(% Change Year-Over-Year)	1.6	4.4	2.1	-1.7	-1.3
Manufacturing Employment	23.4	24.9	27.5	26.0	25.8
(% Change Year-Over-Year)	5.2	6.7	10.1	-6.2	-0.9
Retail Sales--Gross & Use	1463.3	1799.7	2040.0	2192.9	2471.6
(% Change Year-Over-Year)	11.8	21.8	17.2	8.0	13.2
U.S. Indicators					
Real GNP (1972 $'s)	1371.6	1486.9	1483.0	1480.7	1508.6
(% Change)	5.5	4.8	3.2	-0.2	1.9
GNP Deflator (1972 = 100)	139.8	150.0	162.9	177.4	193.5
(% Change)	5.8	7.3	8.5	9.0	9.1
Pers. Cons. Def. (1972 = 100)	140.5	149.9	163.3	180.4	193.8
(% Change)	5.6	6.7	8.9	10.5	7.4
Cons. Price Index (1967 = 100)	181.5	195.4	217.4	246.8	272.3
(% Change)	6.5	7.6	11.3	13.5	10.3
Unemployment Rate	7.0	6.0	5.8	7.1	7.6
Treasury Bill Rate (91 Day)	5.3	7.2	10.0	11.6	14.0

(Continued on Page 6)

Trend of Business

Of the indicators of business activity maintained by the Business Research Bureau only two registered increases. South Dakota's personal income in 1972 dollars rose slightly in the third quarter of 1981 compared to the second quarter 1981. Adjusting for inflation, South Dakota's taxable retail sales increased almost 3 percent for this same period.

In 1972 dollars farm proprietor's income dropped 8 percent in the third quarter of 1981 compared to the second quarter of 1981. The forecast for 1982 is for continued low levels of farm income with a slight gain in real terms over 1981.

South Dakota's unemployment rate increased slightly in the fourth quarter of 1981 compared to the third quarter of 1981. As noted in the "Outlook" article, it is expected to continue its upward movement. Construction employment declined for this same period, but is expected to increase almost 10 percent in 1982.

New car sales in South Dakota were down approximately 8 percent in the fourth quarter of 1981 compared to the third quarter 1981. However, sales of new trucks registered an upswing for this period with an increase of almost 28 percent.

On the national scene continued high unemployment is expected to result in continued sluggishness in consumer demand throughout the first half of 1982. However, improvement in the rate of inflation, the tax cut, pent-up demand, and an improved consumer debt position is expected to result in improved demand conditions in the last half of 1982.

For the past year low capacity utilization, declining corporate profits, sluggish consumer demand and high interest rates have discouraged business investment. By the last half of 1982 a turnaround in consumer demand and the tax incentives will serve to stimulate a moderate improvement in investment demand.

Deficits are expected to continue in 1982 in the government sector due to the continued high level of defense expenditures and lagging expected cuts in non-defense expenditures. These deficits will continue to place pressure on the credit markets and interest rates. Increased savings from the consumer sector should help to offset the expanding demand to meet the federal government's credit needs.

In summary real gross national product is expected to decline by 1.9 percent in the first quarter. This will be followed by improvement in the second quarter accelerating in the last half of 1982.

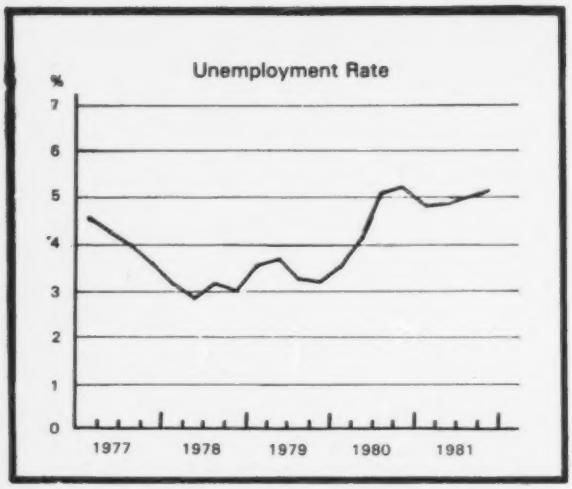
South Dakota Business Indices
1980-81, By Quarters
Seasonally Adjusted
(1972=100)
1982

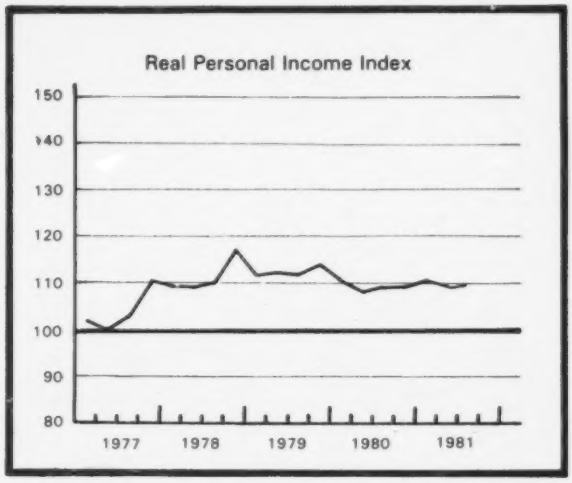
Indicator	1980				1981			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Personal Income	110.7	108.4	109.4	109.5	110.1	109.9	110.1	NA
Farm Proprietor's Income	33.0	22.5	16.8	15.8	14.6	17.0	15.7	NA
Taxable Retail Sales	124.6	116.5	117.1	119.6	121.3	120.8	124.4	NA
Unemployment Rate	3.6	4.2	5.0	5.2	4.9	4.9	5.0	5.2
Construction Employment	144.7	138.2	123.5	118.7	113.3	109.8	108.2	106.3
New Cars	119.8	69.0	73.4	80.5	69.3	84.5	73.8	67.8
New Trucks	112.3	41.8	68.0	57.7	52.7	48.5	40.9	52.2

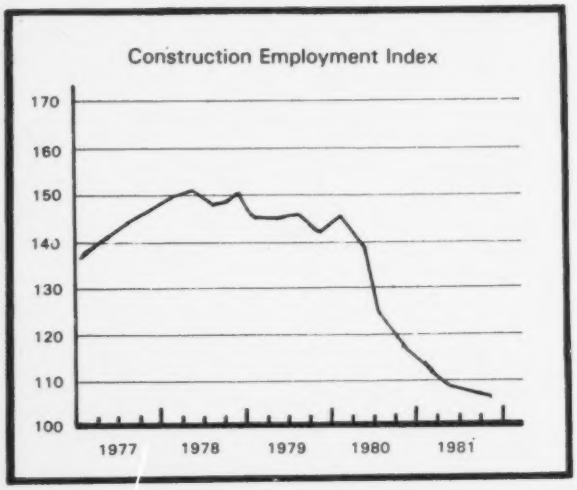
NA = Not Available

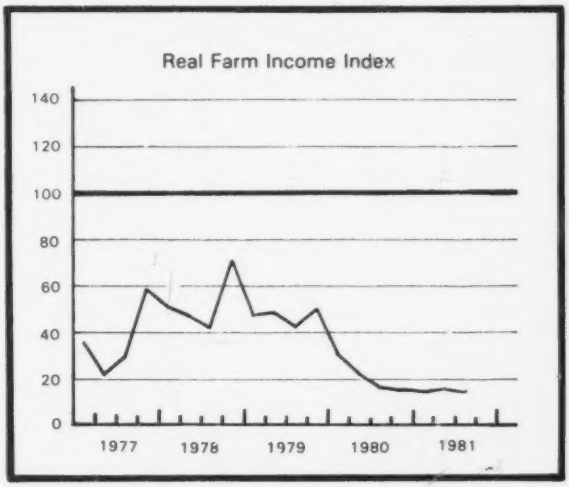
SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

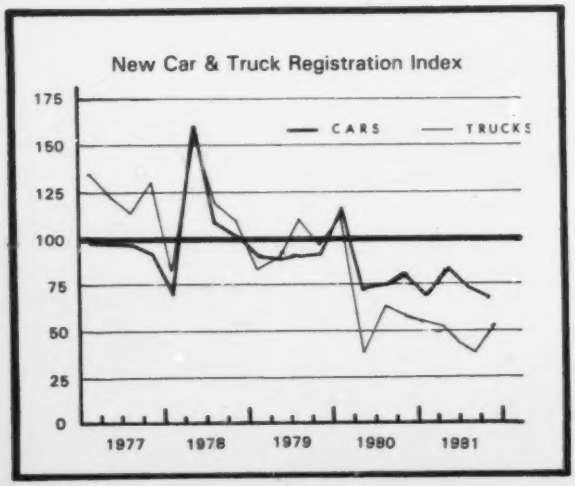
Quarterly Data 1977-1981
Adjusted for Seasonal Variation

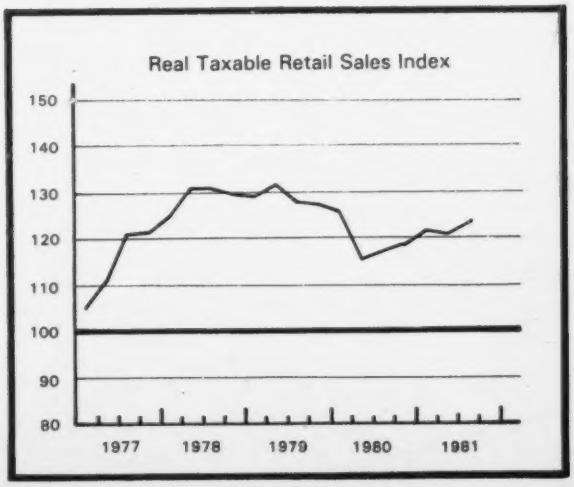












South Dakota Economy (Continued from Page 3)

and retail trade. The major declines in these sectors were experienced by automobiles, farm machinery, and durable consumer goods. A summary of the 1981 performance for selected economic indicators is shown in Table 3.

The 1982 outlook for the South Dakota economy is particularly cloudy. Questions abound. When will the recession end? Which way are interest rates going? What will be the trend of farm prices? In spite of these uncertainties we expect the South Dakota economy will begin to turn up in the last half of 1982. Nonetheless, we expect that in 1982 the state will experience higher unemployment rates than in 1981. This is the usual pattern in the early stages of an economic recovery.

Personal Income

In inflation-adjusted terms (real) personal income grew at a low 1.3 percent rate in 1981. This is well below the long-run average annual growth rate of 3.6 percent. The farm sector fared the worst with a decline of real farm personal income of 25 percent. If this data turns out to be correct, after revisions it will mean the lowest farm personal income in real terms since 1936. [1]Non-farm proprietors did not fare well either with a drop of 1.5 percent in real terms.

Table 4
South Dakota Labor Market Model
Personal Income
(Millions of Dollars)

DESCRIPTION	ANNUAL DATA 1977	1978	1979	1980	1981
Personal Income (Millions)	3819.2	4372.0	4816.7	5129.7	5584.5
Personal Income (1972 $'s)	2717.8	2916.1	2949.6	2843.5	2881.9
Nonfarm Personal Income	3514.5	3916.5	4372.5	4868.2	5361.2
Farm Personal Income	304.7	455.5	444.2	261.5	223.3
Wage & Salary Disbursements	2056.5	2329.2	2593.0	2821.7	3053.9
Non-ag. Wages & Salaries	2007.5	2275.2	2526.7	2749.7	2979.6
Manufacturing	245.2	284.0	342.2	390.7	431.9
Durable Goods	104.0	127.5	163.7	194.7	219.9
Nondurable Goods	141.5	157.0	178.2	196.0	212.3
Mining	36.5	41.8	50.5	57.0	72.2
Contract Construction	138.5	162.5	166.0	166.5	158.6
Regulated Industries	166.5	190.2	214.0	224.7	243.2
Wholesale & Retail Trade	444.0	500.7	555.5	596.7	639.8
Services	300.2	347.0	391.0	444.7	497.8
Fins. Ins. & Real Est.	98.8	133.2	127.0	145.2	162.9
Government	577.7	635.7	679.0	719.0	773.3
Ag. Wage & Salary - Farm	42.8	46.5	57.5	63.3	65.4
Ag. Wage & Salary - Ag Ser.	6.3	7.5	8.8	8.8	8.9
Other Labor Income	172.0	199.5	231.5	271.5	300.6
Proprietors Net Income	528.5	712.0	719.2	539.5	519.1
Non-farm	266.2	302.5	332.5	341.0	361.2
Farm	262.0	409.0	386.7	198.2	157.9
Residence Adjustment	4.8	5.3	5.8	5.8	6.2
Property Income	669.2	718.2	816.0	953.0	1111.3
Transfer Payments	549.5	590.7	662.2	772.7	865.7
Less: Pers. Contributions for Social Insurance	161.5	182.7	211.2	234.5	271.8
Retail Sales					
Retail Sales - Gross & Use	5875.1	7158.8	8392.0	8731.6	9886.4
Retail Sales - 4% Tax	2525.1	3022.0	3281.2	3329.1	3708.2

[1]Farm proprietors' income represents the difference between gross income and production expenses. However, quarterly farm proprietors' income figures are calculated by extrapolating net farm income by the movement of cash receipts. As a result the quarterly data is subject to substantial revision when the annual data is estimated.

Real wage and salary income increased only 0.8 percent reflecting the declining employment situation. The fastest growing real personal income sources in 1981 were dividends, interest, and rent (property income) and transfer payments with a real growth of 9.2 and 4.6 percent, respectively. The property income growth probably reflects the high interest rates received by South Dakota savers and transfer payment growth reflects the stabilizing influence of the unemployment insurance program. A summary of personal income data is presented in Table 4.

Employment and Unemployment

Total employment declined by 0.8 percent in 1981, while total nonagricultural employment fell by 1.3 percent. Manufacturing employment fell by 5.2 percent in 1980 and continued to decline by another 0.9 percent in 1981. The sharpest employment decline occurred in construction with a 12 percent drop. Other declining industries included wholesale and retail trade which experienced a 3 percent drop in employment. Industries other than manufacturing, construction, and trade maintained approximately the same levels of employment in 1981.

The labor force increased slightly in 1981 while the number of unemployed averaged 17 thousand workers in 1981 compared to 15.4 thousand in 1980. As a result, the unemployment rate climbed to 5 percent compared to a 4.6 percent rate for 1980. Table 5 presents data for employment, labor force, and unemployment.

Table 5
South Dakota Labor Market Model
Employment and Hours

DESCRIPTION	ANNUAL DATA 1977	1978	1979	1980	1981
Employment (Thousands)					
Total Employment	307.9	317.9	326.1	322.0	319.4
Wage & Salary Employment	226.6	236.4	241.3	237.2	234.1
Manufacturing	23.4	24.9	27.5	26.0	25.8
Durable Goods	10.5	12.0	14.1	13.3	13.0
Lumber & Wood Prod.	1.7	1.8	1.6	1.2	1.1
Fab. Met. & Mach.	6.2	7.2	9.2	8.9	8.6
Other Durable Goods	2.6	3.0	3.4	3.2	3.3
Nondurable Goods	12.8	12.9	13.4	12.7	12.8
Food & Kindred Prod.	8.2	7.9	8.1	7.6	7.4
Printing & Pub.	2.1	2.2	2.3	2.4	2.4
Other Nondurables	2.6	2.8	2.9	2.7	2.9
Mining	2.6	2.8	2.9	2.8	2.9
Contract Construction	12.4	13.6	12.9	10.7	9.4
Regulated Industries	12.6	13.4	13.7	13.4	13.4
Railroads	1.2	1.3	1.2	1.1	1.2
Other Transportation	5.9	6.5	6.7	6.5	6.4
Comm. & Pub. Utilities	5.4	5.6	5.8	5.8	5.8
Wholesale & Retail Trade	62.3	65.2	66.7	64.6	62.8
Wholesale Trade	16.5	17.2	17.8	17.4	16.9
Durable Goods	7.3	7.9	8.5	8.1	7.7
Nondurable Goods	9.3	9.3	9.3	9.3	9.3
Retail Trade	45.7	48.0	48.9	47.2	45.9
Services	46.6	47.8	48.5	50.2	50.3
Fin. Ins. & Real Estate	10.1	10.6	10.9	11.0	11.3
Government	56.6	58.0	58.3	58.3	58.3
Average Weekly Hours					
Manufacturing	39.3	42.0	41.9	41.3	41.8
Durable Goods	39.0	42.0	41.1	40.4	40.5
Lumber & Wood Prod.	36.5	40.0	39.6	39.4	40.5
Fab. Met. & Machinery	40.1	41.6	40.8	39.5	39.5
Nondurable Goods	39.6	42.0	42.7	42.0	43.3
Food & Kindred Prod.	40.4	43.7	44.5	44.0	45.9
Printing & Publishing	36.9	36.7	37.4	35.9	35.6
Labor Force (Thousands)					
Labor Force	317.9	328.2	337.9	337.4	341.0
Unemployment	10.0	10.0	12.0	15.4	17.8
Unemployment Rate (%)	3.2	3.1	3.6	4.6	5.0

The South Dakota Forecast

This year the South Dakota Forecast is based on an expanded quarterly econometric model known as the South Dakota Labor Market Model (SDLM). This model was built under contract with the South Dakota Department of Labor and provides detailed forecasts of personal income and employment categories. This model is driven by a national forecast of key macroeconomic variables provided by Chase Econometrics.

The 1982 South Dakota forecast is based on the following macroeconomic assumptions:

1. Real GNP growth of 0.0 percent in 1982.
2. Consumer Price Index change of 8.5 percent and Personal Consumption deflator change of 8.1 percent.
3. The national unemployment rate will average 8.9 percent.
4. The Treasury Bill rate will average 11.3 percent.

Last year we forecasted that real personal income would rise by 1.3 percent and that is actually what happened. The major source of error was in the farm sector where we forecasted a 29.5 percent increase while it actually fell by 20.2 percent. The key source of error in our farm income forecast was related to an anticipation of rising farm prices when, in fact, they declined.

Generally, our forecast for 1982 is for some improvement in the state's economy in the last half of the year. This improvement will derive mainly from a decline of the inflation rate, the beginning of a recovery at the national level, the tax cut, and moderation of interest rates. Table 6 presents an overview of the 1982 forecast by quarter for selected economic indicators.

Table 6
South Dakota Labor Market Model
Selected Economic Indicators

Description	Actual Data 1981.1	1981.2	1981.3	1981.4	Forecast Data 1982.1	1982.2	1982.3	1982.4	Annual Data 1980	1981	1982
South Dakota Indicators											
Personal Income (Millions)	5418.0	5491.0	5605.7	5823.2	5923.6	6099.9	6336.7	6495.2	5129.7	5566.5	6209.4
(% Change)	10.0	5.4	8.3	15.2	6.9	11.7	14.1	11.0	6.5	8.5	11.2
Personal Income (1972 $'s)	2870.3	2867.4	2865.9	2918.9	2916.7	2941.1	2987.6	3009.8	2961.5	2901.9	2964.6
(% Change)	-3.3	-1.0	-0.2	7.7	-0.3	3.3	6.3	3.0	-1.6	-1.3	2.2
Nonfarm Pers. Income (Millions)	5279.0	5327.0	5450.5	5649.8	5747.6	5925.2	6128.9	6319.9	4931.5	5426.6	6030.4
(% Change)	11.0	7.6	9.7	14.5	6.6	12.1	13.6	12.4	11.3	10.0	11.1
Nonfarm Pers.Inc.(1972 $'s)	2800.5	2781.7	2786.6	2832.0	2829.9	2856.9	2897.6	2928.6	2733.6	2850.5	2879.2
(% Change)	3.3	-2.7	0.7	6.6	-0.4	3.9	5.8	4.3	0.8	4.4	2.8
Wage & Salaries (Millions)	3009.0	3005.0	3027.7	3134.4	3196.4	3353.5	3460.6	3583.7	2823.7	3053.9	3411.1
(% Change)	11.9	-0.5	3.0	14.0	7.8	14.7	12.6	15.1	6.6	8.2	11.7
Wage & Salaries (1972 $'s)	1596.3	1569.2	1567.7	1591.2	1593.7	1616.9	1639.2	1665.3	1564.2	1576.0	1629.5
(% Change)	4.7	-6.8	-3.5	11.1	0.6	5.8	6.8	7.0	-1.5	0.8	3.3
Farm Income (Millions)	140.0	173.0	164.0	167.3	160.4	183.2	198.7	183.6	207.0	164.8	187.4
(% Change)	-15.5	48.7	-14.1	33.7	-5.1	-0.9	25.4	-21.3	-47.7	-19.4	12.4
Farm Income (1972 $'s)	76.5	90.3	83.8	91.2	91.0	98.1	93.7	85.1	114.7	88.1	89.5
(% Change)	-23.2	41.9	-17.6	75.9	-1.2	-9.4	17.6	-29.1	-52.6	-25.0	6.0
Total Employment (Thousands)	303.7	329.9	331.7	313.1	301.2	332.2	344.3	321.7	322.0	319.4	324.9
(% Change Year-over-year)	-1.9	-1.7	-0.4	0.8	-0.8	1.0	3.7	2.7	-1.3	-0.8	1.7
Manag. Employment (Thousands)	229.5	238.5	233.6	237.1	231.3	241.9	247.9	247.7	237.2	234.1	242.2
(% Change Year-over-year)	-2.2	-1.7	-1.7	0.5	-0.7	2.5	6.0	4.4	-1.7	-1.3	3.4
Manufacturing Employment	25.1	26.0	25.9	26.3	25.8	26.7	27.3	28.3	26.0	25.8	27.0
(% Change Year-over-year)	-0.8	-0.7	2.3	3.9	2.8	2.6	5.3	7.6	-5.2	-0.9	4.7
Retail Sales-Gross & Use	2070.0	2366.7	2605.6	2844.1	2347.5	2810.1	3029.8	3311.5	2162.9	2471.6	2874.7
(% Change Year-over-year)	7.3	13.7	15.9	12.0	12.6	17.2	15.1	15.2	4.0	13.2	16.3
U.S. Indicators											
Real GNP (1972 $'s)	1510.4	1509.1	1515.8	1493.3	1487.0	1498.3	1515.6	1533.5	1480.7	1508.6	1508.6
(% Change)	8.2	-1.9	1.8	-6.0	-1.7	3.0	4.6	4.7	-0.2	1.9	-0.0
GNP Deflator (1972=100)	180.0	180.9	185.0	190.5	193.1	197.4	203.1	211.5	171.4	183.5	199.4
(% Change)	9.3	5.8	9.7	7.9	7.2	8.4	7.8	8.1	9.0	9.1	8.2
Pers.Cons.Deflator (1972=100)	180.5	181.5	185.6	189.5	193.1	197.4	211.5	215.8	180.4	193.8	209.4
(% Change)	7.7	6.3	9.5	7.9	7.2	8.4	7.8	8.1	10.5	7.4	8.1
Cons. Price Index (1967=100)	262.9	269.0	276.1	281.4	286.1	292.1	298.6	304.7	246.8	272.3	295.4
(% Change)	10.3	9.2	10.4	7.6	6.6	8.3	8.6	8.1	13.5	10.3	8.5
Unemployment Rate	7.4	7.4	7.2	8.4	9.0	9.1	8.9	8.7	7.1	7.6	8.9
Treasury Bill Rate (91 Day)	10.4	14.0	15.1	11.8	10.3	11.1	11.9	11.9	11.6	14.0	11.3

Forecast Date: January 15, 1982 Note: 4th Quarter data based on Business Research Bureau estimates

For 1982 we forecast personal income to increase by 11.2 percent in nominal terms and 2.9 percent in real terms. Farm income is forecasted to remain at low levels but to show some increase in real terms over 1981 levels. Wage and salary income is expected to increase by 3.3 percent in real terms, while non-farm proprietors' is merely expected to keep pace with inflation. A detailed forecast of personal income by source is presented in Table 7.

Table 7
South Dakota Labor Market Model
Personal Income

Description	Actual Data 1981.1	1981.2	1981.3	1981.4	Forecast Data 1982.1	1982.2	1982.3	1982.4	Annual Data 1980	1981	1982
Personal Income (Millions)	5418.0	5491.0	5605.7	5823.2	5923.6	6099.9	6336.7	6495.2	5129.7	5566.5	6209.4
Personal Income (1972 $'s)	2874.3	2867.4	2865.9	2918.9	2916.7	2941.1	2987.6	3009.8	2963.5	2901.9	2964.6
Nonfarm Personal Income	5215.0	5262.0	5384.6	5583.0	5670.6	5855.2	6058.0	6248.8	4868.2	5363.2	5959.9
Farm Personal Income	203.0	229.0	221.1	240.2	245.2	244.7	260.7	247.2	261.5	223.3	249.4
Wage & Salary Disbursements	3009.0	3005.0	3027.7	3134.4	3196.4	3353.5	3460.6	3583.7	2823.7	3053.9	3411.1
Non-Ag. Wages & Salaries	2936.0	2931.0	2950.5	3048.9	3109.2	3275.0	3381.3	3513.4	2749.5	2979.6	3332.2
Manufacturing	439.0	433.0	422.3	433.3	442.5	460.3	484.7	515.4	390.7	431.9	477.7
Durable Goods	231.0	229.0	218.2	213.6	222.3	235.1	245.5	262.3	194.7	219.9	241.3
Non-Durable Goods	209.0	204.0	204.1	220.0	220.2	225.2	239.2	253.0	196.0	212.1	236.4
Mining	69.0	68.0	75.2	70.6	74.3	85.3	87.0	87.3	57.0	72.2	83.5
Contract Construction	160.0	159.0	152.0	163.5	167.7	175.8	195.7	206.8	166.5	158.6	186.5
Regulated Industries	230.0	235.0	250.9	253.5	267.7	280.5	274.6	281.8	224.7	243.2	271.1
Wholesale/Retail Trade	632.0	628.0	637.2	662.0	672.4	703.0	726.4	759.5	596.7	629.8	717.8
Services	688.0	686.0	689.9	527.5	544.1	546.7	570.1	594.0	644.7	497.8	563.7
Fin., Ins. & Real Estate	155.3	158.0	166.7	172.1	177.2	182.9	189.8	196.2	145.2	162.9	186.5
Government	763.0	763.0	758.4	810.6	833.2	852.5	863.1	877.5	719.0	779.1	865.3
Agric.,Wage & Salary-Farm	64.0	65.0	65.9	66.8	69.0	69.9	70.9	72.0	63.3	65.4	70.5
Agric.,Wage & Salary-Ag Service	9.0	9.0	8.8	8.7	8.0	8.5	8.4	8.3	6.6	8.9	8.4
Other Labor Income	293.0	295.0	297.1	317.3	325.2	341.0	355.4	373.5	271.5	300.6	348.8
Proprietors Net Income	496.0	515.0	521.1	546.3	553.7	558.9	581.6	574.0	539.5	519.1	567.1
Non-Farm	355.0	353.0	366.0	373.0	377.5	384.2	392.0	398.7	343.0	361.2	388.1
Farm	139.0	164.0	155.2	173.3	176.2	174.7	189.6	175.3	196.2	157.9	179.0
Residence Adjustment	6.0	6.0	6.3	6.4	6.4	6.5	6.5	6.7	5.8	6.2	6.5
Property Income	1068.0	1090.0	1143.7	1163.5	1166.4	1216.7	1295.8	1287.0	953.0	1111.3	1236.0
Transfer Payments	638.0	647.0	682.2	695.6	913.0	925.7	966.9	976.0	772.2	* 865.7	945.4
Less: Personal Contributions for Social Insurance	268.0	268.0	273.9	280.2	295.8	307.4	308.4	315.7	248.5	271.6	305.6
Retail Sales											
Retail Sales-Gross & Use	2070.0	2366.7	2605.6	2844.1	2347.5	2810.1	3029.8	3311.5	2731.6	9986.4	11498.8
Retail Sales-4% Tax	785.5	880.5	984.1	1068.1	879.3	1049.6	1111.3	1197.6	1029.1	3708.2	4211.8

Note: 4th quarter 1981 data based on Business Research Bureau estimates
Forecast Date: January 15, 1982

Table 8 presents forecasts for employment, hours worked, and unemployment. Total employment and nonagricultural unemployment are expected to grow by 1.7 and 3.4 percent, respectively. Manufacturing employment which has been declining for two years is expected to increase 4.7 percent in 1982. Construction industry employment is expected to increase by almost 10 percent. In general, other industries are expected to post modest employment gains. The bad news for 1982 is the behavior of the unemployment rate which is expected to increase to 5.8 percent from a 5 percent level in 1981. Once again this seemingly strange behavior of simultaneously rising employment and the unemployment rate is not unusual in the early stage of an economic recovery. It occurs because job creation is not occurring as rapidly as people are entering the labor force.

Table 8
South Dakota Labor Market Model
Employment and Hours

Description	Actual Data 1981.1	1981.2	1981.3	1981.4	Forecast Data 1982.1	1982.2	1982.3	1982.4	Annual Data 1980	1981	1982
Employment (Thousands)											
Total Employment	303.7	329.9	331.7	313.1	301.2	332.2	344.3	321.7	322.0	319.4	324.9
Wage & Salary Employment	229.6	236.5	233.6	237.1	231.3	241.9	247.9	247.7	237.2	234.1	242.2
Manufacturing	25.1	26.0	25.9	26.3	25.8	26.7	27.3	28.3	26.0	25.8	27.0
Durable Goods	12.6	13.1	13.1	13.2	13.2	14.0	14.3	14.7	13.3	13.0	14.1
Lumber & wood Prod.	1.1	1.1	1.1	1.0	1.0	1.0	1.1	1.1	1.2	1.1	1.0
Fab.Metal & Machinery	8.4	8.6	8.6	8.7	8.9	9.0	9.1	9.3	8.9	8.6	9.1
Other Durable Goods	3.1	3.4	3.4	3.5	3.4	4.0	4.1	4.3	3.2	3.3	4.0
Non-Durable Goods	12.5	12.9	12.8	13.0	12.6	12.7	13.0	13.6	12.7	12.8	13.0
Food & Kindred Prod.	7.3	7.4	7.4	7.5	7.1	7.1	7.2	7.5	7.6	7.4	7.2
Printing & Publishing	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.4	2.4	2.5
Other Non-Durables	2.8	3.1	2.9	3.0	3.0	3.1	3.3	3.6	2.7	2.7	3.2
Mining	2.5	2.6	3.0	3.0	2.9	3.2	3.1	3.1	2.8	2.9	3.1
Contract Construction	9.1	9.3	9.4	9.2	9.2	9.3	9.4	9.3	9.3	9.3	9.3
Regulated Industries	13.4	13.7	13.4	13.5	13.4	13.5	13.8	14.1	13.4	13.6	13.7
Railroads	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2
Other Transportation	4.5	4.5	4.3	4.4	4.4	4.4	4.5	4.9	4.5	4.4	4.5
Comm & Public Util	5.7	5.7	5.9	5.9	5.8	5.9	6.0	6.0	5.8	5.8	6.0
Wholesale & Retail Trade	61.6	63.2	63.1	63.2	60.7	63.9	66.9	66.4	64.6	62.8	64.5
Wholesale Trade	16.7	17.1	17.0	16.9	17.0	17.6	18.0	17.8	17.4	16.9	17.6
Durable Goods	7.6	7.7	7.7	7.7	7.8	8.0	8.4	8.2	8.1	7.7	8.1
Non-Durable Goods	9.1	9.3	9.4	9.2	9.2	9.3	9.4	9.3	9.3	9.3	9.3
Retail Trade	44.9	46.2	46.2	46.3	43.7	46.3	48.9	48.6	47.2	45.9	46.9
Services	49.6	50.6	50.9	50.5	49.6	51.9	54.2	51.9	50.2	50.3	51.9
Fin., Ins & Real Estate	11.0	11.1	11.5	11.5	11.5	11.8	12.1	12.1	11.0	11.3	11.9
Government	59.0	59.7	55.1	59.5	59.8	60.9	58.0	60.5	58.3	58.3	59.8
Average weekly Hours											
Manufacturing	42.6	41.9	41.5	41.1	41.4	41.5	42.2	42.6	41.3	41.8	41.9
Durable Goods	41.5	40.9	40.3	39.4	38.7	39.6	39.8	40.2	40.4	40.5	39.6
Lumber & Wood Products	39.5	41.1	40.6	40.4	39.3	40.4	41.0	41.8	39.6	40.5	40.7
Fab. Met. & Machinery	40.0	40.7	39.3	38.0	37.5	38.5	38.7	38.9	39.5	39.5	38.6
Non-Durable Goods	43.7	42.9	43.5	43.0	41.3	42.0	43.3	43.7	42.0	43.3	42.8
Food & Kindred Products	45.9	44.8	46.7	46.0	44.6	44.6	47.5	47.6	44.0	45.9	46.6
Printing & Publishing	35.8	36.2	35.7	34.7	33.7	34.2	34.8	35.2	35.9	35.6	34.5
Labor Force (Thousands)											
Labor Force	323.3	345.2	347.3	329.6	321.0	351.8	364.0	341.9	337.4	336.4	344.8
Unemployment	19.3	16.3	17.3	18.3	22.7	22.2	22.4	22.9	15.4	17.0	24.1
Unemployment Rate (%)	6.0	4.7	5.0	5.6	7.1	6.3	6.2	6.7	4.6	5.1	7.0

Forecast Date: January 15, 1982 Note: 4th quarter 1981 data based on Business Research Bureau estimates

The SDLM model also provides forecasts of wage rates and labor market conditions for the six planning and development districts in South Dakota. The forecasts for these variables are provided in Table 9 and 10.

Table 9
South Dakota Labor Market Model
Wages

Description	Actual Data				Forecast Data				Annual Data		
	1981.1	1981.2	1981.3	1981.4	1982.1	1982.2	1982.3	1982.4	1980	1981	1982
Hourly Wages											
Manufacturing	6.9	6.8	7.2	7.3	7.7	7.7	7.9	8.1	6.5	7.1	7.8
Durable Goods	6.7	6.4	6.5	6.8	6.8	6.9	7.1	7.3	5.8	6.4	7.0
Lumber & Wood Products	6.2	6.3	6.3	6.6	6.8	6.9	6.9	7.3	5.9	6.4	7.0
Fab. Met. & Machinery	6.3	6.3	6.5	6.6	6.7	6.8	7.1	7.3	5.7	6.4	7.0
Non-Durable Goods	7.5	7.3	7.8	8.0	8.2	8.4	8.6	8.8	7.2	7.7	8.5
Food & Kindred Products	8.6	8.5	9.2	9.4	9.7	9.8	10.2	10.5	8.2	9.0	10.1
Printing & Publishing	5.9	6.4	6.2	6.3	6.3	6.5	6.6	6.7	6.0	6.2	6.5
Weekly Wages											
Manufacturing	293.6	286.5	297.4	302.0	310.9	310.9	332.4	343.9	268.6	296.9	326.5
Durable Goods	258.9	259.5	260.5	261.3	261.5	275.3	283.9	294.3	231.9	260.0	295.7
Lumber & Wood Products	244.7	250.6	259.1	267.3	266.1	281.3	285.1	301.5	231.7	257.7	283.5
Fab. Met. & Machinery	250.6	258.0	254.0	251.4	251.6	267.1	275.6	284.4	222.1	251.5	269.7
Non-Durable Goods	327.9	313.2	341.3	344.7	338.4	359.9	371.7	383.8	301.4	331.8	363.4
Food & Kindred Products	402.2	386.6	430.8	435.9	433.2	456.7	485.7	499.9	357.5	413.4	468.9
Printing & Publishing	233.2	233.3	221.8	217.4	213.2	221.8	230.8	236.0	217.3	220.7	225.4
Annual Wages (Thousands)											
Manufacturing	17.5	16.7	16.3	16.5	17.1	17.6	17.8	18.2	15.0	16.7	17.7
Durable Goods	16.3	17.4	15.7	16.1	16.6	16.8	17.2	17.8	14.6	16.9	17.1
Non-Durable Goods	16.8	15.9	16.9	16.9	17.5	18.4	18.4	18.4	15.4	16.6	18.2
Mining	25.6	24.0	25.3	25.8	25.9	27.0	27.7	28.4	20.2	25.2	27.3
Contract Construction	21.0	16.3	14.6	17.0	22.9	17.5	15.7	18.4	15.5	17.0	18.2
Regulated Industries	17.4	17.8	18.7	18.7	18.5	20.7	19.9	20.0	16.8	18.1	19.8
Wholesale Trade	16.1	15.9	16.7	17.3	17.8	18.5	19.1	19.8	14.5	16.5	18.8
Retail Trade	8.1	7.7	7.7	8.0	8.4	8.1	8.0	8.4	7.3	7.9	8.2
Services	9.9	9.6	9.6	10.4	10.9	10.5	10.5	11.4	8.9	9.9	10.9
Fin., Ins. & Real Estate	14.1	14.7	14.5	15.0	15.4	15.4	15.6	16.2	13.2	14.4	15.7
Government	12.9	12.8	13.8	13.6	13.9	13.7	14.5	14.4	12.3	13.3	14.1

Forecast Date: January 15, 1982
Note: 4th quarter 1981 data based on Business Research Bureau estimates

Table 10
South Dakota Labor Market Model
Planning District Employment

	Actual Data				Forecast Data				Annual Data		
	1981.1	1981.2	1981.3	1981.4	1982.1	1982.2	1982.3	1982.4	1980	1981	1982
Planning District #1											
Total Employment	38587.7	49640.3	47022.7	43876.2	41863.0	46603.0	48698.6	44912.2	42177.8	44631.7	45569.2
Labor Force	49123.3	51046.3	49271.5	46091.4	44649.1	49612.8	50838.5	47742.4	49971.2	48633.1	48415.7
Unemployment Rate (%)	6.0	3.9	4.8	4.8	6.2	5.7	5.7	6.0	4.0	4.0	5.9
Planning District #2											
Total Employment	85570.6	91766.6	90662.8	87686.2	85924.2	92377.4	95227.2	91476.2	85155.2	88922.1	91251.2
Labor Force	90572.6	96142.9	94534.7	91640.8	91011.2	97120.6	100353.2	96649.8	89256.9	93272.7	96333.7
Unemployment Rate (%)	5.5	4.5	4.1	4.3	5.6	5.1	5.1	5.4	4.6	4.6	5.3
Planning District #3											
Total Employment	39591.0	42908.0	44281.2	41381.2	39508.8	43931.5	45588.6	42127.6	43086.6	42040.4	42789.2
Labor Force	41571.3	44866.7	45976.2	43095.5	41548.9	45999.0	47747.9	44716.7	45554.3	43814.9	44876.3
Unemployment Rate (%)	4.8	3.9	3.7	3.9	4.9	4.5	4.5	4.7	3.7	4.1	4.7
Planning District #4											
Total Employment	24958.7	28052.0	25445.1	22702.8	20865.7	23679.5	24423.1	21455.3	28360.3	25289.6	22605.9
Labor Force	26558.7	29362.3	26568.9	23766.9	22191.7	25021.	25814.2	22744.7	29417.9	26554.2	23943.1
Unemployment Rate (%)	6.0	4.4	4.2	4.5	6.0	5.4	5.4	5.7	3.9	4.8	5.6
Planning District #5											
Total Employment	27714.3	31099.0	30912.9	28453.3	26846.8	30215.4	31394.7	28524.1	31451.1	29544.8	29245.2
Labor Force	29986.0	33095.7	32622.3	30120.4	28959.4	32344.7	33619.2	30654.5	33205.9	31456.1	31394.4
Unemployment Rate (%)	7.6	6.0	5.2	5.5	7.3	6.6	6.6	6.9	5.3	6.1	6.9
Planning District #6											
Total Employment	53138.0	57263.3	55246.6	55436.3	52964.7	59020.0	61347.2	56736.8	56628.5	56266.0	57517.3
Labor Force	56993.3	60737.0	57569.5	58604.6	56930.9	63087.2	65612.6	60869.0	60009.1	59746.1	61626.9
Unemployment Rate (%)	6.8	5.7	5.3	5.6	7.0	6.4	6.5	6.8	5.6	5.8	6.7

Forecast Date: January 15, 1982
Note: 4th quarter 1981 data based on Business Research Bureau estimates

Why Do High Interest Rates And Low Price/Earnings Ratios Prevail?

Douglas Kahl and Jerry Johnson

(Continued from November Issue)

Risk Perceptions:

In the November 1981 issue of the Review we discussed rent rates and securities markets as a whole. While the securities markets are strongly interrelated, securities are differentiated in several ways. The most common differentiation is between debt and equity securities. Securities are also differentiated by maturity: short-term (money market) with a maturity of less than one year, intermediate-term with a maturity of from one to seven years, and long-term with a maturity longer than seven years. Since most securities are not held to maturity, liquidity also serves to differentiate securities. The simplest way to view liquidity is that the larger the secondary market for the security, the more liquid the security. Finally, many securities have special provisions which serve to differentiate them in the perceptions of many investors; bonds may have call provisions; state and local bonds are tax exempt; and so on. As a result of this differentiation among securities, the securities market is actually composed of many inter-related supply and demand markets.

The way market participants view risk has changed substantially in recent years. Traditionally the risk for a debt security was viewed primarily as the potential for default. In this view, U.S. treasury securities are free of default risk. For other debt securities the only risk to owning the security is the default risk if the security is held to maturity. Equity securities have traditionally been viewed as more risky than debt securities. Common stock is a residual security; its claim on earnings comes after debt claims have been paid; its claim on assets comes after all debt claims in the case of bankruptcy; and the payments to stockholders are at the discretion of management and not fixed by contract as is the case with debt securities.

Since most long-term securities are not held to maturity, the investor also faces the risk of price changes for the security. For example, consider the case of a long-term (40 year) bond with a face value of $1,000, an 8 percent coupon rate and paying interest semi-annually. If the market interest rate for the bond is 8½ percent when the bond is first sold, the bond should sell for approximately $960. If the bond is to be sold by the original purchaser five years later, the bond will then be a 35 year bond with the same face value and coupon rate. If the market interest rate for that type of bond has increased to 15½ percent over the five years, the bond will sell for approximately $540. In this case the actual annual yield for the bond over the five years it was held is not 8 percent (the coupon rate) or 8½ percent (the market rate at the time purchased), but -.6 percent (the actual annual yield over the 5 year period). For debt securities this is called interest rate risk and exists for all securities which until the security matures, the greater the interest rate risk.

Starting with a seminal article by Markowitz in the early 1950's the concept of portfolio risk has come to be generally accepted in financial markets.

About the Authors:
Douglas Kahl is Assistant Professor of Finance at the School of Business, University of South Dakota. Jerry W. Johnson is Professor of Economics and Director of the Business Research Bureau, School of Business, University of South Dakota.

The basic concept of portfolio risk is quite simple. If a large number of securities are selected at random and purchased, the risk specifically associated with a single security is irrelevant. The relevant risk for a security when determining the risk premium is the risk that security would add to a well-diversified portfolio of securities. Much of the risk associated with a given firm's common stock is specific to the firm (quality of management, products, markets, etc.) and can be "diversified away". This specific risk is not relevant in determining the risk premium; the relevant risk is the effect on the firm of factors affecting the entire economy (inflation, taxes, energy cost, etc.). For long-term debt the primary risk in a portfolio is the interest rate risk. Major changes in the interest rate are not generally specific to a single firm, but are economy-wide. This economy-wide risk can not be diversified away in a portfolio. With recent high and variable interest rates some experts contend that a firm's bonds can be riskier than the firm's common stock. For most debt instruments the timing and amount of the payments are fixed and do not change with inflation. The effect of inflation on the equity secutities of a firm will vary from firm to firm. In many cases the earnings, dividends and price of the stock may adjust very well to inflation. In other cases inflation may have a very negative effect on the earnings, dividends and stock price for a firm. In a well-diversified portfolio the effect of inflation may be substantially diversified away for common stock. For debt securities the effect is common to all fixed payment securities: the inflation premium increases, the interest rate increases, the price of the debt security falls, and the real value of the fixed payments declines. In this case, one bond is very much like another. In a bond portfolio this risk does not diversify away. Given this point of view, the portfolio risk of a firm's bond may be greater than the portfolio risk of the same firm's common stock. As a result, the rent rate for long-term debt may be higher than the rent rate for common stock in many firms.

The Future for Rent Rates

The future level of rent rates is closely tied to future inflationary expectations. To substantially reduce the rent rates, the current high inflationary expectations must be broken. To break the current inflationary expectations the inflation rate must be substantially reduced and investors must be convinced that lower inflation rates are permanent. It will take time and a strong, consistent government policy to accomplish this.

Many other factors have been proposed which might help to lower rent rates. Many experts feel that a slow steady growth in the money supply (tight money) will do much to help break inflationary expectations. A balanced federal budget would avoid the "crowding out" effect produced by the rapid increase in the supply of securities when large deficits occur. Many experts also feel that a balanced federal budget would also help to break inflationary expectations.

An increase in the savings rate would help reduce the rent rates. Several factors may help to increase the U.S. savings rate. Lower tax rates will make more funds potentially available for investing. Lower tax rates on "unearned income" will provide more incentive for investment. Changes in the residential housing market may also tend to increase the savings rate. The rate of growth in home values may have slowed substantially. Many investors may have viewed the increase in their home value as savings. As the level of this "savings" becomes smaller and the risk of a single large (and generally highly levered) investment becomes more apparent, investors may put a much larger portion of their funds into other areas, for example, securities. Finally some authorities expect a reduction in consumer demand for credit in the near future. When consumer inflationary expectations are higher than the current consumer interest rate it is rational for the consumer to buy now and pay later. While this situation may have existed in the recent past, several factors have changed recently to substantially alter this situation. First, many states have increased or are in the process of increasing their usury rate ceilings or removing them completely. In addition, there is some interest in Congress for removing usury rate ceilings nationwide. As these ceilings are raised the interest rates charged consumers will increase rapidly. The decrease in inflation rates in recent months along with government action to control inflation should help to reduce consumer inflationary expectations. The difference between the interest rate consumers must pay and their inflationary expectations should be increasing rapidly and result in much lower consumer demand for credit.

In conclusion, there is some consensus that the current high levels of interest rates and low stock prices are the result of years of high and increasing inflation rates. Inflation is, at least in part, the result of years of government deficits and excessive expansion of the money supply. It will take strong and consistent government action over an extended period of time to bring interest rates down substantially. Investor perceptions of the risk and return relationship among the different types of securities may have been permanently changed. Specifically, the long-term bond market may never recover completely from the events of recent years. Finally, and most importantly, the future course of interest rates and other rent rates is highly uncertain. These rates could remain high and volatile for some time to come.

GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
First Three Quarters 1980 and First Three Quarters 1981
($000's)

The dollar amount reported as TOTAL GROSS on the South Dakota Department of Revenue state and city sales and use tax return.

REGION I	Jan-Sept 1980	Jan-Sept 1981	Change Jan-Sept 1980/1981
Brookings	125,162	142,550	14.2
Brookings	103,698	118,628	14.4
Elkton	4,549	5,192	14.1
Volga	4,544	4,483	-1.4
Clark	18,657	19,433	4.2
Clark	12,243	11,506	-6.0
Codington	188,149	204,105	8.5
Watertown	179,662	194,291	8.1
Deuel	19,792	21,496	8.6
Clear Lake	11,738	12,609	7.4
Gary	1,459	1,621	11.1
Grant	52,434	56,384	7.5
Big Stone City	2,212	1,733	-21.6
Milbank	43,738	47,046	7.6
Hamlin	23,436	25,222	7.6
Bryant	4,916	5,702	16.0
Castlewood	3,339	3,833	14.8
Estelline	5,082	5,081	.0
Hayti	4,092	4,336	6.0
Kingsbury	42,994	46,031	7.1
Arlington	13,034	14,385	10.4
DeSmet	11,928	12,010	.7
Lake Preston	6,454	6,652	3.1
Lake	62,744	70,641	12.6
Madison	55,946	63,117	12.8
Miner	17,158	21,160	23.3
Howard	12,120	15,761	30.0
Moody	36,564	40,796	11.6
Colman	12,178	15,551	27.7
Flandreau	17,274	17,493	1.3
TOTAL	587,090	648,129	10.4

REGION II			
Clay	48,402	53,989	11.5
Vermillion	43,777	49,056	12.1
Lincoln	60,632	61,836	2.0
Canton	30,266	31,911	5.4
Hudson	1,599	2,043	27.7
Lennox	7,443	7,417	-.3
McCook	42,516	42,819	.7
Bridgewater	8,073	8,735	8.2
Canistota	4,040	3,953	-2.2
Salem	23,209	22,529	-2.9
Spencer	3,972	4,472	12.6
Minnehaha	1,220,427	1,333,466	9.3
Brandon	4,748	5,613	18.2
Colton	8,291	10,461	26.2
Dell Rapids	18,546	18,857	1.7
Garretson	9,669	8,989	-7.0
Hartford	7,052	7,908	12.1
Sioux Falls	1,096,566	1,199,211	9.4
Turner	45,628	62,539	37.1
Centerville	4,297	4,477	4.2
Marion	14,778	20,518	38.8
Parker	10,389	9,971	-4.0
Viborg	7,300	12,101	65.8
Union	63,893	72,185	13.0
Alcester	8,970	9,535	6.3
Beresford	20,569	21,622	5.1
Elk Point	9,121	10,768	18.1
N. Sioux City	20,723	25,432	22.7
TOTAL	1,481,499	1,626,834	9.8

REGION III	Jan-Sept 1980	Jan-Sept 1981	% Change Jan-Sept 1980/1981
Aurora	15,522	15,495	-.2
Plankinton	6,214	6,670	7.3
Bon Homme	37,648	39,732	5.5
Avon	6,182	6,387	3.3
Scotland	9,022	9,202	2.0
Springfield	5,709	6,041	5.8
Tyndall	13,203	13,856	4.9
Tabor	3,468	4,182	20.6
Brule	36,279	43,160	19.0
Chamberlain	26,503	31,971	20.6
Kimball	8,404	9,643	14.7
Charles Mix	48,862	55,260	13.1
Geddes	3,722	4,192	12.6
Lake Andes	6,464	6,992	8.2
Platte	17,842	18,365	2.9
Wagner	19,165	23,842	24.4
Davison	190,435	197,124	3.5
Mitchell	179,719	184,310	2.6
Douglas	22,585	25,845	14.4
Armour	7,676	7,579	-1.3
Corsica	12,118	15,393	27.0
Gregory	38,723	39,814	2.8
Burke	6,940	6,959	.3
Gregory	18,923	18,971	.3
Hanson	19,345	21,749	12.4
Alexandria	13,160	14,656	11.4
Emery	3,796	4,372	15.2
Hutchinson	59,598	62,203	4.4
Freeman	21,387	23,660	10.6
Menno	7,320	6,642	-9.3
Parkston	19,973	20,787	4.1
Tripp	5,309	4,680	-11.8
Jerauld	22,486	24,124	7.3
Wess. Sprgs.	15,394	16,743	8.8
Sanborn	10,749	11,949	11.2
Woonsocket	7,879	8,836	12.2
Yankton	191,142	205,028	7.3
Yankton	179,069	193,200	7.9
TOTAL	693,373	741,481	6.9

REGION IV			
Beadle	137,318	152,333	10.9
Huron	125,529	139,890	11.4
Brown	313,313	355,067	13.3
Aberdeen	281,226	319,399	13.6
Groton	13,796	14,302	3.7
Day	46,194	50,344	9.0
Bristol	5,245	5,507	5.0
Waubay	2,824	3,087	9.3
Webster	32,095	34,419	7.2
Edmunds	23,925	27,353	14.3
Bowdle	6,210	6,814	9.7
Hosmer	1,813	1,950	7.6
Ipswich	11,585	13,585	17.3
Roscoe	4,190	4,893	16.8
Faulk	12,980	13,897	7.1
Faulkton	5,989	6,519	8.9
Hand	26,535	27,661	4.2
Miller	23,540	24,526	4.2
Marshall	27,389	30,638	11.9
Britton	22,408	23,397	4.4
McPherson	18,344	19,772	7.8
Eureka	13,777	14,936	8.4
Leola	3,814	4,093	7.3
Roberts	45,210	49,456	9.4
Sisseton	22,225	23,445	5.5
Wilmot	7,156	7,930	10.8
Spink	37,469	38,417	2.5
Doland	2,666	2,330	-12.6
Redfield	24,610	27,178	10.4
TOTAL	688,677	764,938	11.1

REGION V	Jan-Sept 1980	Jan-Sept 1981	% Change Jan-Sept 1980/1981
Buffalo	546	2,167	296.6
Campbell	14,503	17,508	20.7
Herreid	5,185	5,750	10.9
Corson	10,095	10,789	6.9
McIntosh	1,895	2,235	17.9
McLaughlin	4,990	5,367	7.6
Dewey	18,093	18,467	2.0
Eagle Butte	8,735	8,886	1.7
Isabel	3,243	3,243	.0
Timber Lake	4,621	4,624	.1
Haakon	23,505	29,592	25.9
Philip	20,409	25,876	26.8
Hughes	102,245	111,954	9.5
Pierre	96,398	104,792	8.7
Blunt	4,268	5,077	19.0
Hyde	13,895	15,538	11.8
Highmore	13,563	15,189	12.0
Jones	14,425	15,569	7.9
Murdo	12,907	13,695	6.1
Lyman	14,787	17,103	15.7
Presho	4,964	5,178	4.3
Mellette	3,836	3,914	2.0
White River	2,205	2,493	13.0
Perkins	25,407	27,421	7.9
Lemmon	20,679	23,009	11.3
Potter	32,366	36,329	12.2
Gettysburg	20,569	23,375	13.6
Hoven	9,827	10,621	8.1
Stanley	17,506	14,666	-16.2
Ft. Pierre	17,501	14,658	-16.2
Sully	12,254	12,201	-0.4
Onida	11,058	10,678	-3.4
Tripp	56,687	57,168	.8
Winner	55.135	55,229	.2
Todd	11,815	12,323	4.3
Mission	10,011	10,926	9.1
Walworth	51,506	55,144	7.1
Selby	12,684	15,078	18.9
Mobridge	33,460	34,215	2.3
Ziebach	4,157	4,020	-3.3
Dupree	3,919	3,766	-3.9
TOTAL	427,634	461,872	8.0

REGION VI			
Bennett	15,424	16,042	4.0
Martin	15,003	15,617	4.1
Butte	49,359	53,811	9.0
Belle Fourche	39,766	44,074	10.8
Newell	5,144	5,832	13.4
Custer	25,267	28,588	13.1
Custer	22,712	25,691	13.1
Fall River	32,097	34,632	7.9
Edgemont	8,313	8,500	2.3
Hot Springs	20,554	22,311	8.5
Harding	4,127	4,849	17.5
Buffalo	3,410	4,134	21.2
Jackson	11,910	15,357	28.9
Kadoka	10,330	13,354	29.3
Lawrence	223,923	213,559	-4.6
Deadwood	29,902	34,872	16.6
Lead	138,424	119,732	-13.5
Spearfish	38,104	42,690	12.0
Whitewood	9,279	8,094	-12.8
Meade	58,451	62,347	6.7
Faith	6,427	6,727	4.7
Sturgis	42,924	45,216	5.3
Pennington	669,291	781,011	16.7
Rapid City	617,676	721,982	16.9
Wall	16,487	19,106	15.9
Shannon	5,228	5,132	-1.8
Pine Ridge	1,960	1,574	-19.7
Washabaugh	363	249	-31.5
TOTAL	1,095,439	1,215,577	11.0
STATE TOTAL	4,973,713	5,458,829	9.8

LOCAL BUSINESS CONDITIONS

	Jan.-Dec. 1980	Jan.-Dec. 1981	% Change Jan.-Dec. 1980/1981
Aberdeen			
Advertising Lineage Index	188.1	187.8	- 0.2
Building Permits	2,305,750	979,639	-57.5
Value of Postal Receipts	2,679,676	2,958,023	10.4
Value of Postal Money Orders	443,686	536,785	21.0
Telephones in Service	29,119	28,395	- 2.5
Brookings			
Building Permits	2,329,180	2,065,400	-11.3
Value of Postal Receipts	1,048,404	1,245,714	18.8
Value of Postal Money Orders	213,819	232,424	8.7
Huron			
Building Permits	1,000,500	397,930	-60.2
Value of Postal Receipts	1,060,012	1,178,898	11.2
Value of Postal Money Orders	232,081	267,005	15.0
Telephones in Service	14,469	14,423	- 0.3
Mitchell			
Building Permits	2,236,831	1,530,987	-31.6
Value of Postal Receipts	943,485	1,113,178	18.0
Value of Postal Money Orders	229,900	253,074	10.1
Telephones in Service	14,896	14,855	- 0.3
Pierre			
Building Permits	2,182,600	2,137,850	- 2.1
Value of Postal Receipts	1,628,858	1,931,660	18.6
Value of Postal Money Orders	245,199	279,205	13.9
Telephones in Service (Dec.)	15,573	15,518	- 0.4
Rapid City			
Advertising Lineage Index	184.4	201.8	9.4
Building Permits	6,597,311	2,740,627	-58.5
Value of Postal Receipts	3,662,924	4,317,394	17.9
Value of Postal Money Orders	1,036,033	1,111,663	7.3
Telephones in Service (Dec.)	64,239	63,401	- 1.3
Sioux Falls			
Advertising Lineage Index	210.5	191.1	- 9.2
Building Permits	25,599,929	8,410,701	-67.1
Value of Postal Receipts	8,345,811	12,560,647	50.5
Value of Postal Money Orders	1,190,482	1,103,897	- 7.3
Telephones in Service	87,535	86,683	- 1.0
Watertown			
Building Permits	3,561,864	2,695,949	-24.3
Value of Postal Receipts	1,310,508	3,863,932	194.8
Value of Postal Money Orders	252,303	377,779	49.7
Telephones in Service	16,709	17,064	2.1
Yankton			
Building Permits	3,144,352	2,443,420	-22.3
Value of Postal Receipts	1,816,061	1,917,264	- 5.6
Value of Postal Money Orders	280,143	338,201	20.7
Telephones in Service	13,940	13,624	- 2.3

CROP PRODUCTION SUMMARY
South Dakota
1979, 1980, and 1981
(000's Bushels)

Crop	1979	1980	1981
Wheat, All	60,060	62,425	98,970
Corn, Grain	210,900	121,900	180,600
Corn, Silage (ton)	4,056	5,353	4,321
Oats	94,400	66,000	70,520
Barley	20,800	15,180	20,060
Rye	5,700	4,030	3,220
Flaxseed	3,770	3,445	2,249
Potatoes (Fall, cwt.)	1,203	1,072	702
Soybeans	22,005	20,020	23,100
All Hay (ton)	7,570	5,359	5,786

Source: South Dakota Crop & Livestock Reporter.

TELEPHONES IN SERVICE
Selected Cities - South Dakota
December 1980 and 1981

	Dec. 1980	Dec. 1981	% Change 1980/1981
Aberdeen	29,119	28,395	-2.5
Belle Fourche	4,876	4,902	.5
Canton	3,353	3,343	-.3
Chamberlain	2,912	2,952	1.4
Deadwood	3,331	3,410	2.3
DeSmet	1,749	1,743	-.3
Elk Point	1,829	1,799	-1.7
Hot Springs	4,155	4,246	2.2
Huron	14,469	14,423	-.3
Lead	3,598	3,663	1.8
Madison	6,782	6,846	.9
Milbank	5,057	5,158	2.0
Mitchell	14,896	14,855	-.3
Mobridge	4,313	4,303	-.3
Pierre	15,573	15,518	-.4
Rapid City	64,239	63,401	-1.3
Redfield	4,396	4,417	.5
Sioux Falls	87,535	86,683	-1.0
Sturgis	6,497	6,455	-.6
Tyndall	1,317	1,323	.5
Vermillion	8,193	8,369	2.1
Watertown	16,709	17,064	2.1
Webster	2,857	2,849	- .3
Wessington Springs	1,755	1,770	.8
Winner	4,685	4,697	.3
Yankton	13,940	13,624	-2.3

Source: Northwestern Bell, Sioux Falls, SD.

CONSUMER PRICE INDEX
United States
Jan.-Dec. 1981

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	% Change
All Items	260.5	263.2	265.1	266.8	269.0	271.3	274.4	276.5	279.3	279.9	280.7	281.5	8.1
Food and Beverages	261.4	263.7	265.0	265.7	265.4	266.5	268.9	270.1	270.7	270.3	269.9	270.5	3.5
Food	268.6	270.8	272.2	272.9	272.5	273.6	276.2	277.4	278.0	277.6	277.1	277.8	3.4
Alcoholic Bev.	193.7	195.9	197.1	197.8	199.1	199.8	200.5	201.4	202.5	201.4	202.3	202.7	4.6
Housing	279.1	280.9	282.6	284.8	288.5	292.2	297.0	299.7	303.7	303.5	304.2	305.2	9.4
Shelter	300.1	300.5	301.6	303.8	308.4	312.6	318.5	322.0	326.9	326.6	327.2	328.0	9.3
Rent, Residential	200.9	201.9	203.0	204.2	205.9	206.8	207.8	210.3	211.9	213.6	215.0	216.5	7.8
Home Ownership	335.8	335.8	336.8	339.3	345.0	350.4	358.0	361.8	367.8	366.7	367.2	367.8	9.5
Fuel & Other Utilities	296.7	304.5	308.4	310.5	314.9	320.2	325.1	327.8	331.1	330.1	329.8	331.8	11.0
Fuels	375.4	387.4	393.7	396.5	403.3	411.7	417.2	419.5	422.4	419.0	417.6	420.0	52.5
Fuel, Oil, Coal	625.9	675.6	693.4	690.6	685.8	682.0	677.9	674.6	673.4	672.7	676.1	682.5	9.0
Gas (Piped) & Elec.	318.5	322.9	326.7	330.6	339.6	350.2	357.6	360.8	364.5	360.6	358.3	359.9	13.0
Other Utilities & PS	171.9	173.6	174.0	175.1	176.2	177.1	180.8	183.7	187.4	189.4	190.7	191.9	11.6
Household Furn. & Appl.	212.6	214.9	216.9	219.2	220.1	221.1	222.4	222.9	224.5	225.6	227.2	227.7	7.1
Apparel & Upkeep	181.1	182.0	185.1	186.4	186.4	185.8	184.7	187.4	190.7	191.5	191.3	190.5	5.2
Transportation	264.7	270.9	273.5	275.3	277.8	279.9	282.6	283.7	285.2	287.2	289.1	289.8	9.5
Private Trans.	262.9	269.4	271.7	273.4	276.0	277.9	279.6	280.5	281.9	283.9	285.8	286.5	9.0
Pub. Trans.	286.4	288.1	293.9	297.2	297.7	303.9	323.1	326.5	329.1	330.8	333.2	333.8	16.6
Medical Care	279.5	282.6	284.7	287.0	289.0	291.5	295.6	299.3	301.7	304.8	308.2	310.2	11.0
Entertainment	214.4	216.7	218.2	219.2	220.3	220.8	221.1	222.3	224.0	225.5	226.8	227.3	6.0
Other Goods & Serv.	226.2	227.4	228.7	229.9	232.2	233.4	234.4	235.6	243.0	245.2	245.9	246.7	9.1

BUSINESS RESEARCH BUREAU
SCHOOL OF BUSINESS
THE UNIVERSITY OF SOUTH DAKOTA
VERMILLION, SOUTH DAKOTA 57069

HOURS AND EARNINGS PRODUCTION WORKERS*
Dec. 1980 and Dec. 1981

	Average Weekly Earnings		Average Weekly Hours		Average Hourly Earnings	
	Dec. 1981	Dec. 1980	Dec. 1981	Dec. 1980	Dec. 1981	Dec. 1980
South Dakota Statewide						
Manufacturing	312.17	301.46	42.3	42.7	7.38	7.06
Durable Goods	263.34	253.76	39.9	41.6	6.60	6.10
Lumber & Furniture	275.91	242.42	37.9	39.1	7.28	6.20
Fabricated Metals & Mach.	263.66	251.49	40.5	41.5	6.51	6.06
Nondurable Goods	363.33	349.00	44.8	43.9	8.11	7.95
Food & Kindred Products	418.13	418.55	46.1	46.3	9.07	9.04
Paper, Printing & Publish.	255.81	226.78	38.7	37.3	6.61	6.08
Sioux Falls SMSA						
Manufacturing	464.11	442.32	48.7	48.5	9.53	9.12
Durable Goods	284.78	269.84	40.8	42.1	6.98	6.40
Nondurable Goods	491.52	475.13	49.9	49.7	9.85	9.56
Rapid City SMSA						
Manufacturing	273.41	235.61	35.6	36.7	7.68	6.42

*Average hours and earnings data are derived from reports of payrolls and hours for production and related workers.

Source: South Dakota Department of Labor, "Labor Bulletin".

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TOTAL PERSONAL INCOME
United States, Plains Region and States
1980 and First Three Quarters 1981
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1980				1981			Percent Change 3rd Qtr.'81
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	2nd Qtr.'81
United States	2,062,761	2,088,490	2,155,782	2,228,277	2,292,539	2,340,535	2,412,922	3.1
Plains States	153,708	153,795	158,134	162,250	166,315	169,847	175,419	3.3
Iowa	26,355	26,281	26,844	27,340	27,935	28,521	29,430	3.2
Kansas	22,721	22,974	23,693	24,467	24,992	25,536	26,297	3.0
Minnesota	38,009	37,964	39,001	39,978	41,091	41,913	43,300	3.3
Missouri	42,509	42,390	43,780	44,927	46,189	47,272	48,866	3.4
Nebraska	13,687	13,641	14,122	14,352	14,694	14,994	15,585	3.9
North Dakota	5,404	5,493	5,536	5,902	5,996	6,119	6,320	3.3
South Dakota	5,024	5,052	5,159	5,284	5,418	5,941	5,621	-5.4

Note: Detail may not add to totals because of rounding.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT*
Dec. 1980 and Dec. 1981
(In Thousands)

	Dec. 1981	Dec. 1980	Change Dec. 1981 from Dec. 1980
Total Nonagricultural	235.8	237.2	-0.6
Manufacturing	25.9	25.5	1.6
Durable Goods	13.1	12.9	1.6
Lumber & Furniture	1.3	1.2	8.3
Fabricated Metals & Machinery	8.6	8.7	-1.1
Other Durable Goods	3.2	3.0	6.7
Nondurable Goods	12.8	12.6	1.6
Food & Kindred Products	8.0	7.8	2.6
Paper, Printing & Publishing	2.5	2.4	4.2
Other Nondurable Goods	2.3	2.4	-4.2
Nonmanufacturing	209.9	211.7	-0.9
Mining	2.9	2.7	7.4
Construction	8.5	9.4	-9.6
Transportation & Public Utilities	13.0	13.4	-3.0
Railroads	1.0	1.0	0.0
Other Transportation	6.2	6.6	-6.0
Communications & Public Utilities	5.8	5.8	0.0
Trade	64.7	64.9	-0.3
Wholesale Trade	16.8	17.1	-1.8
Durable Goods	7.8	7.8	0.0
Nondurable Goods	9.0	9.3	-3.2
Retail Trade	47.9	47.8	0.2
Finance, Insurance & Real Estate	11.3	11.2	0.9
Services	50.3	50.5	-0.4
Hotels, Amuse., Pers. & Business	12.3	12.4	-0.8
Medical and Health	20.2	20.1	0.5
Educational, Membership & Social	15.0	15.3	-2.0
Other	2.8	2.7	3.7
Government	59.2	59.6	-0.7
Federal	10.6	10.9	-2.8
State	16.3	16.5	-1.2
State Education	8.4	8.3	1.2
Other State	7.9	8.2	-3.7
Local	32.3	32.2	0.3
Local Education	19.0	19.1	-0.5
Other Local	13.3	13.1	1.5

*This category includes full and part-time workers on the payrolls of nonagricultural establishments for the week including the 12th of the month.

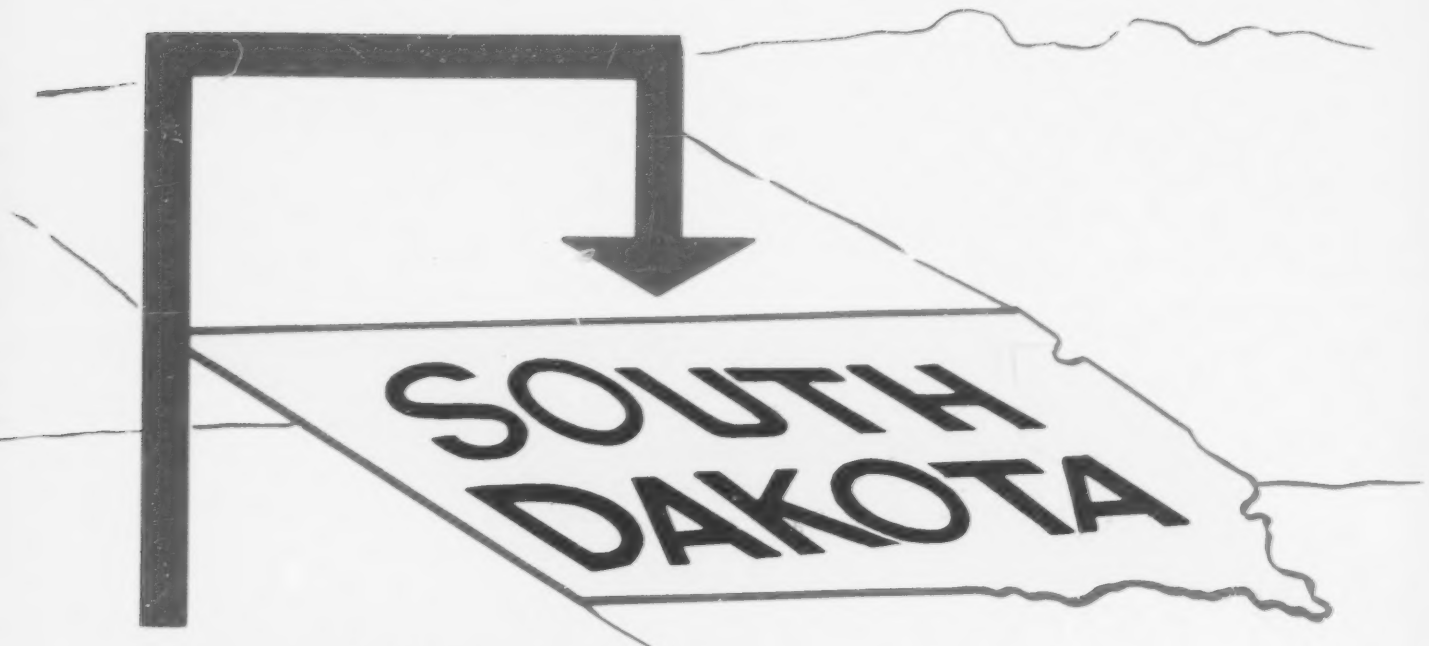
TAXABLE RETAIL SALES
In Selected Cities of
South Dakota
(000's of Dollars)

	3rd Qtr. 1981	3rd Qtr. 1980	% Change 3rd Qtr. 1981 from 3rd Qtr. 1980	1st Three Qtrs. 1981	1st Three Qtrs. 1980	% Change 3rd Qtr. 1981 from 3rd Qtr. 1980
Aberdeen	52,240	47,918	9.0	146,170	133,211	9.7
Belle Fourche	7,500	7,144	5.0	20,661	18,679	10.6
Brookings	22,093	20,089	10.0	61,934	56,420	9.8
Chamberlain	4,962	4,737	4.7	13,457	12,333	9.1
Dell Rapids	2,176	2,170	.3	6,276	6,180	1.5
Huron	22,118	21,387	3.4	62,975	59,308	6.2
Lead	7,348	6,536	12.4	20,595	16,359	25.9
Madison	9,230	8,392	10.0	26,086	24,013	8.6
Milbank	7,546	6,321	19.4	21,665	19,668	10.2
Mitchell	30,665	27,272	12.4	81,283	75,658	7.4
Mobridge	6,299	5,918	6.4	17,995	16,751	7.4
Pierre	20,540	19,061	7.8	59,281	52,526	12.9
Rapid City	115,521	106,057	8.9	300,500	272,354	10.3
Sioux Falls	169,759	159,414	6.5	476,994	438,776	8.7
Vermillion	8,995	8,420	6.8	25,598	24,045	6.5
Watertown	33,701	30,250	11.4	93,915	84,257	11.5
Winner	7,650	7,231	5.8	21,860	20,091	8.8
Yankton	22,637	21,437	5.6	64,582	60,469	6.8
TOTAL	550,980	509,754	8.1	1,521,827	1,391,098	9.4

PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD -- SOUTH DAKOTA
1980 and 1981

Commodity and Unit		Base Period Price 1910-1914 Average	Price 1981	Price 1980	1981 Price as % of Base	% Change 1981/ 1980
Wheat	Bu.	$ .85	$3.58	$4.24	421	-15.6 %
Corn	Bu.	.51	2.20	2.84	431	-22.5
Oats	Bu.	.35	1.85	1.68	529	10.1
Barley	Bu.	.59	2.30	2.74	390	-16.1
Flaxseed	Bu.	1.68	6.95	7.23	414	- 3.9

Source: South Dakota Crop and Livestock Reporter



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WHEN IS THERE A NURSING SHORTAGE IN SOUTH DAKOTA?

by

SHERMAN FOLLAND

One often hears conflicting reports on the availability of nurses. For example, in 1978, then President Carter vetoed a nurse training bill, because, he claimed, "two decades of federal aide have all but ended nursing shortages".[1] Yet, within a year, a federal study ("WICHE")[2] proclaimed a substantial national shortage. Likewise, there have been conflicting reports for South Dakota. In 1977, the South Dakota Linkage Project[3] reported that overall nursing needs were being met (except for the Rapid City area). Soon after this, WICHE issued state-by-state data in which South Dakota appeared as a shortage state. In addition, local reports seem to vary. Sometimes even within a single hospital there may be disagreement.

While usually such conflicts are a clue that some of the reports are wrong, in this case it could be that all the reports are correct. Analysts from different fields and perspectives often use the term "shortages" differently. In this paper I discuss some of these usages. Section I, called "Economic Shortages," discusses the various approaches that economists take to assess manpower shortages. Section II called "Need Shortages", describes how nursing shortages often are assessed by non-economists (or anyone who bases their assessment on values that lie outside or beyond those expressed in the marketplace). The paper concludes that much of the confusion over nursing availability may be due to these semantic differences.

ECONOMIC SHORTAGES

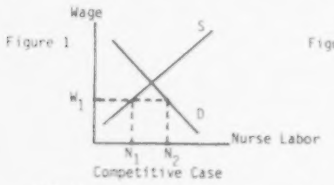
The economist typically describes the availability of a good or service in terms of prices and quantities observed in the marketplace. Even though this task is an objective one (in principle), there is room for differing definitions and interpretations. This section describes three different (though related) definitions of economic shortages. It also describes how the possession of monopsonistic power by a hospital would affect the analysis.

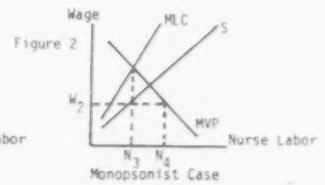
Perhaps the most common economic definition of shortage is that of "excess demand". This occurs when the quantity demanded exceeds the quantity supplied at the prevailing price. In Fig. 1, supply (S) and demand (D) in a competitive market are shown. If the prevailing wage were W_1, by definition there would be excess demand (i.e., a shortage) of $N_2 - N_1$, nurse labor units. If such a shortage occurred, we would expect to hear reports of "budgeted vacancies" or other difficulties in hiring nurses. In 1977 for South Dakota, the reported rates for budgeted vacancies for RNs in hospitals was 7.1%.[4] This was in line with recent national experience which was historically rather low.[5]

In times of rising demand, temporary excess demand is to be expected. In Fig. 1, suppose that demand last period had been lower than (to the left of) demand curve D so that the market had been in equilibrium at wage W_1. Suppose further that when demand expanded to D, wages lagged behind at W_1. Excess demand (of N_2-N_1,) so created would persist until wages rise. Thus, other things being equal, those areas experiencing facility growth are more likely to report budgeted vacancies. As a possible

About the Author: Sherman Folland was Assistant Professor of Health Services Administration at the University of South Dakota and is currently teaching at Pennsylvania State University.

case in point, since 1975, private bed capacity in Sioux Falls expanded by about 20%. Correspondingly, in 1977 the Sioux Falls area had the highest budgeted rate in the State, 11.5%.[6]





While budgeted vacancies seem a logical measure of temporary shortages, there are sound reasons to be cautious. In particular, if the nursing labor market is "monopsonistic" (e.g., if one hospital dominates the market for hiring nurses), then a different analysis is required. In Fig. 2, a single hospital is depicted which dominates the market so that when it expands its nursing staff it raises nurse wages for the whole market. As a consequence, its marginal labor cost curve (MLC) exceeds the average labor cost curve (the supply curve). Being efficient, the hospital hires nurses up to the point that the contribution of the last nurse added (marginal value product, MVP) just covers the additional labor cost (marginal labor cost, MLC). In Fig. 2, N_3 nurses will be hired, at wage W_2. **At this wage** (which lies well below MLC) the hospital would gladly hire more nurses since up until N_4 are hired each added nurse contributes more than W_2 in the value of his or her product. That is, **at equilibrium** budgeted vacancies will be reported. It is as if the hospital doesn't realize that if it wants more nurses it will have to pay them more.[7]

While the possibility of monopsony complicates matters, it is not the only reason people become dissatisfied with the depiction of a manpower shortage in Fig. 1. Non-economists often become dissatisfied when they hear the policy recommendation that usually derives from it, "just wait, wages will rise, the market will take care of it".[8] Economists often are dissatisfied for different reasons. In particular, Fig. 1 is only a static partial equilbrium framework. That is, Fig. 1 is just a "snapshot" of one market at one point in time. Other measures are needed to capture the dynamics of nursing shortages and to compare with other labor markets.

One such measure, suggested by Blank and Stigler (B&S) is closely related to the Fig. 1 case. They noted that when demand growth outstrips supply growth (as in Fig. 1), the equilibrium wage tends to rise. B&S reasoned that manpower shortages are worsening (lessening) when the wage is rising faster (slower) than wages in other professions. B&S further reasoned that when a shortage is worsening, we should expect to see administrators substitute lesser trained employees for the shortage labor group (e.g., substitute LPNs for RNs when RNs are increasingly in short supply).

From the B&S viewpoint it is interesting to note that nurse wages are often said to have been "catching up" in recent decades.[9] In fact data to 1969 show RN wages to have increased (but only by a small amount) relative to "female professional technical, and kindred workers" as well as compared to teachers.[10] It would be interesting to compare South Dakota nurse wage trends to those in other professions and other parts of the country, but such data are not yet available. Available South Dakota data for 1975 and 1977, however, show an increase of RN employment relative to LPNs (somewhat contrary to the B&S shortage).

In any case there are problems with the B&S definition,[11] and some analysts recommend as an alternative, the analysis of internal rates of return. The internal rate of return is defined as that discount rate which equates the present value of benefits and costs of an investment (in education). If the markets are functioning well, these rates should tend toward equality between professions with comparable non-monetary aspects. To exceed them would suggest a shortage. Yett reported internal rates of return to nursing education in the 1960's comparable to those for other female college graduates,[12] suggesting no serious shortages in this sense, at least during the 1960's.

NEED SHORTAGES

Many analysts claim that health manpower shortages go beyond "mere" economics. People, it is thought, should receive the health care they "need" regardless of economic considerations. Correspondingly, "need shortages" are defined as the difference between what consumers have and what they need. While this concept of shortage may appear much simpler than the economic definitions it is in many ways more complex and confusing. The crux of the problem is to define "need".[13]

In practice, need usually is defined by an advisory group (often called a "panel of experts") composed in various proportions of concerned laymen ("consumers") and health professionals ("providers").[14] Conceivably, the advisory group could be just one person, e.g., the head nurse on OB tells the administrator "we need more nurses to provide quality care." Or, the advisory group could be representative of the nation as a whole, as when Congress votes to increase the supply of nurses nationwide.

As can be imagined, these advisory groups sometimes differ widely. Such differences may result from factual errors, but often they derive simply from differing values. When this occurs there is no scientific economic reason to say which group is right or which is wrong. To the economists, they are all correct.

From this perspective, the contrasting need shortage analyses for South Dakota by WICHE and

(Continued on Page 6)

TREND OF BUSINESS

National Economy

Preliminary government estimates of growth in first quarter real gross national product show a decline of -4.5 percent. The decline was slightly larger than previously anticipated by most economists. Despite the apparent decline in the first quarter most economists continue to forecast an upswing beginning in the second quarter. Predicted by these forecasters is a positive growth of between 1 and 3 percent in the second quarter with the rate of growth accelerating to 4 percent in the last half of 1982. Leading the expected movement on the upside in the second quarter and into the last half of 1982 is expected strength from the consumer sector. April retail sales showed a strong 1.4 percent growth in April providing evidence that this may be occurring. Further, the rapid sell-off of inventories in the first quarter suggest inventory build-ups can be expected in future quarters. On the negative side are continued high levels of interest rates. Though rates have fallen recently after rising in January and February, uncertainty as to the outcome on the Federal budget continues to hold interest rates at a relatively high level.

South Dakota Economy

There was considerable revision of the quarterly income data recently received from the Bureau of Economic Analysis, U.S. Department of Commerce. This caused the income graphs appearing on page 5 to be revised also. South Dakota's personal income increased slightly in the fourth quarter of 1981 compared to the previous quarter. However, farm income, after registering a slight increase in the second quarter of 1981, decreased in both the third and fourth quarters of 1981.

South Dakota's unemployment rate decreased from its seasonally adjusted rate of 5.2 percent for the fourth quarter of 1981 to 4.7 percent for the first quarter of 1982. It was also lower than the 5.0 percent rate of this period a year ago.

Construction employment in South Dakota is still weak. During the past year construction employment experienced the largest decline compared to the other major industries in the State. Comparing the first quarter of 1982 to the fourth quarter of 1981 construction employment decreased by 6 percent.

Of the remaining indicators of business activity maintained by the Business Research Bureau, all decreased with the exception of new truck sales. Following a low in the third quarter of 1981, sales of new trucks increased in the fourth quarter of 1981 and again in the first quarter of 1982.

Sales of new cars showed some recovery in the second quarter of 1981 followed by decreases for subsequent quarters continuing through the first quarter of 1982.

The Bureau of Economic Analysis, U.S. Department of Commerce recently released 1981 state per capita personal income figures. The U.S. average was $10,517 compared with $9,511 in 1980. Following is a table on per capita personal income for the United States and Plains region.

PER CAPITA PERSONAL INCOME
United States and Plains Region
1980 and 1981

	1980	1981	% Change 1980-1981
United States	$9,511	$10,517	10.6
Plains Region	9,261	10,286	11.1
Iowa	9,310	10,149	9.0
Kansas	9,864	10,870	10.2
Minnesota	9,765	10,747	10.1
Missouri	8,865	9,876	11.4
Nebraska	9,086	10,296	13.3
North Dakota	8,626	10,525	22.0
South Dakota	7,818	8,793	12.5

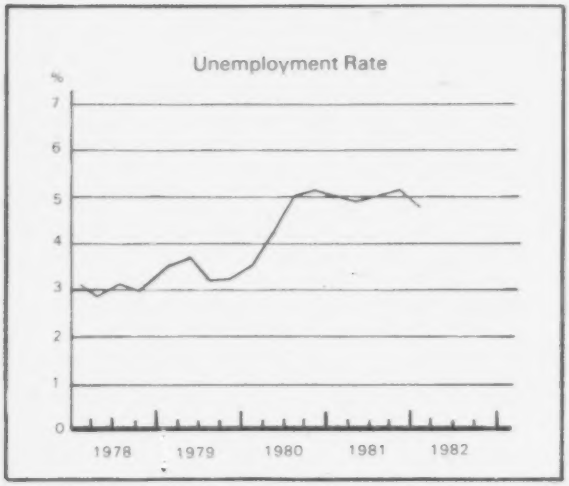
Source: U.S. Department of Commerce, Bureau of Economic Analysis

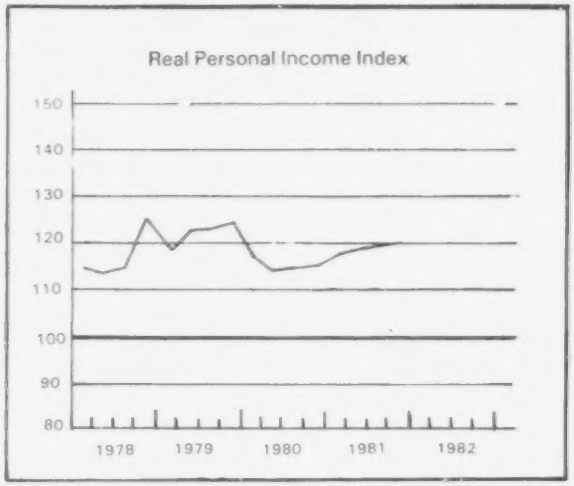
SOUTH DAKOTA BUSINESS INDICES
1981-1982 By Quarter
Seasonally Adjusted
(1972 = 100)

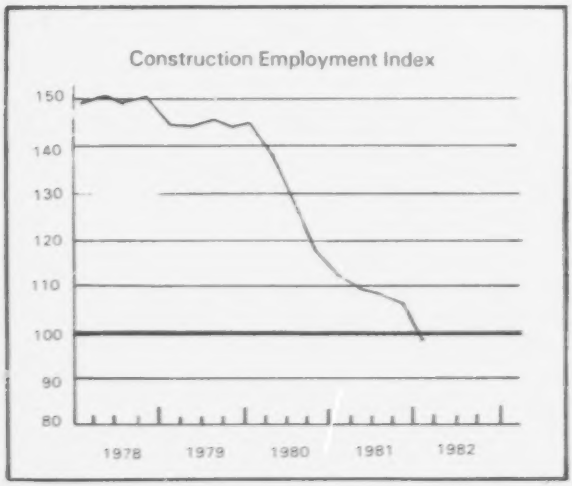
	1981				1982			
	1st	2nd	3rd	4th	2nd	3rd	4th	1st
Personal Income	117.9	119.0	119.8	120.1				
Farm Income	24.7	27.5	26.5	25.0				
Tax. Retail Sales	121.3	121.1	124.4	120.6				
Unemploy. Rate					4.9	5.0	5.2	4.7
Const. Employ.					109.8	108.6	105.9	99.7
New Cars					84.5	74.1	67.7	67.0
New Trucks					48.7	41.6	53.3	57.4

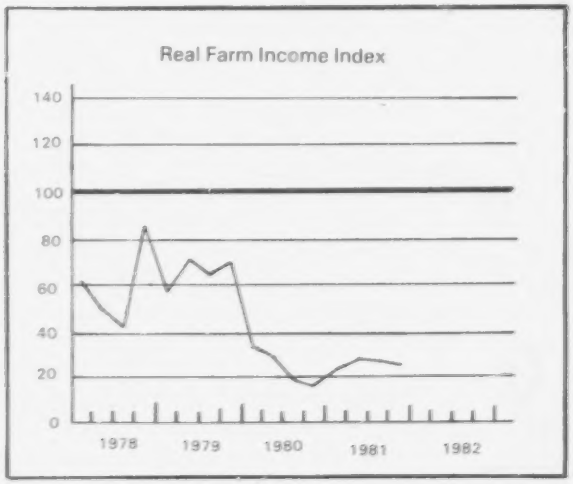
SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

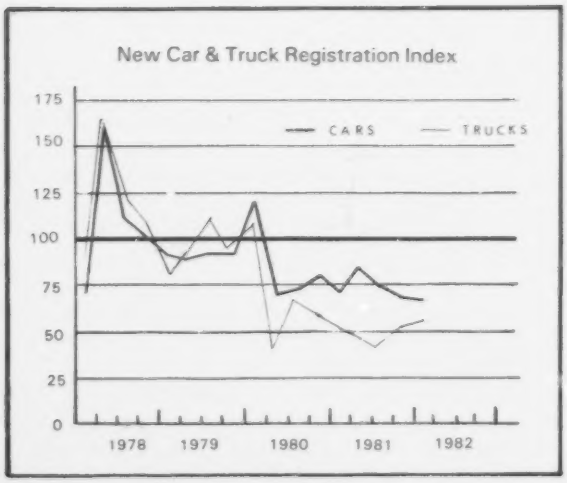
Quarterly Data 1978-1982
Adjusted for Seasonal Variation

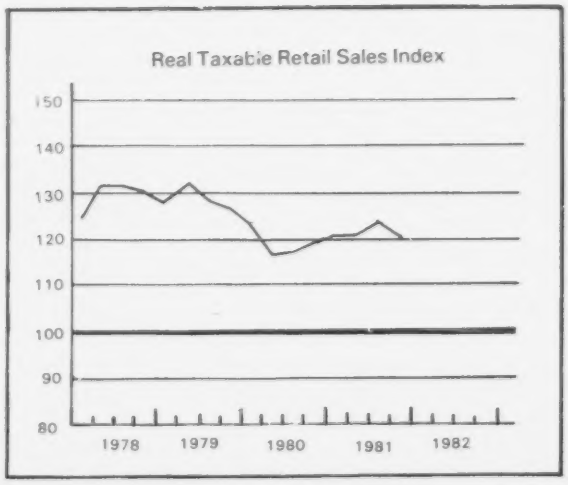












Nursing Shortage (Continued from Page 3)

by the South Dakota Linkage Project, are not so surprising.[15] WICHE did not publish data for 1977, but still the contrast is clear. WICHE's lower bound for 1982 RN needs for South Dakota was 4446 Full Time Equivalents (FTEs). Linkage criteria implied a need for some 3100 FTEs for 1977. WICHE's upper bound for 1982 of 6326 FTEs is quite out of sight (the actual FTE RN employment level in 1977 was just under 3000).

Much can change between 1977 and 1982, but changes in the population and its health status are unlikely to account for need changes of this magnitude. The key difference in this case probably lies in the need criteria. The "need criteria" are the specific ratios of nurse requirements to patient volumes proposed by each study. For example, WICHE recommended staffing 49.0 to 56.5 FTE RNs per 100 patients in general hospital care units, while Linkage recommended 44.4 FTE RNs.

Which report is then "correct"? The answer appears finally to depend on one's own values, and perhaps on one's politics. To say either report's need criteria are "wrong" is merely to interpose other values. To say that either are "correct" is to adopt them for one's own. That is, "wrong" here applies in an ethical or political sense, not an economic sense.

'CONCLUDING REMARKS'

Much of the confusion over nursing availability probably traces to the semantic differences between the various analysts. In particular there are two broadly different sorts of shortages discussed: economic and "need".

Economic definitions of nursing shortages deal only with those values that are expressed in the marketplace. A variety of measures apply depending on whether the appropriate framework is competitive or monopsonistic, static or dynamic, partial or general equilibrium. In economic terms, available data suggest some recent temporary localized nursing shortages, but general sustained national shortages appear doubtful. The data are not up-to-date however, and a new data collection and analysis for South Dakota could alter the picture considerably.

In contrast to economic shortages, "need shortages" derive from the political or ethical value judgements of specific advisory groups. Need shortages can coexist with economic equilibrium or even surplus (in fact, a successful remedy may well require augmenting demand). In a significant sense, need shortages exist in the eye of the beholder, the advisory group. Yet these groups can provide an important service by alerting us to cases where we would agree that the market fails to provide adequately for our community's health care.

(1) **Congressional Quarterly,** November 18, 1978, pg. 3323.

(2) Elliot and Jeanne Kearns, **Anlysis and Planning for Improved Distribution of Nursing Personnel and Services: Final Report,** Western Interstate Commission for Higher Education (WICHE), DHEW Pub. No. (HRA) 79-16, December 1978.

(3) South Dakota Health Manpower Planning and Linkage Project, **Nursing Component of the Health Manpower Plan,** South Dakota Department of Health, June 1977.

(4) Sherman Folland, **Data Update to 1977 Data of the South Dakota Linkage Project Nursing Plan,** Health Services Administration, University of South Dakota, Jan. 1980, pg. 63.

(5) Donald Yett, **An Economic Analysis of the Nurse Shortage,** Lexington, Mass. Lexington Books, 1975.

(6) Folland, op. cit.

(7) For supportive empirical evidence on the equilibrium vacancies theory see Richard Hurd, "Equilibrium Vacancies in a Labor Market Dominated by Non-Profit Firms: The 'Shortage' of Nurses", **Review of Economics and Statistics,** May, 1973.

(8) Excepting nurses, of course, who tend to approve of higher wages. See e.g., Ellen Hale, "Nurses Show Outrage Over Unfair Conditions", **Sioux Falls Argus Leader** Dec. 23, 1980.

(9) E.g., see David Salkever, "Hospital Wage Inflation: Supply-Push or Demand Pull?", **Quarterly Review of Economics and Business,** Autumn, 1975.

(10) Yett, 1975, op cit.

(11) For example, the B&S approach identifies only the direction of change, not the starting point. Thus when "shortages are worsening" we cannot tell if an existing shortage is becoming more critical or if instead a surplus situation is being corrected.

(12) Donald Yett, "Causes and Consequences of Salary Differentials in Nursing", **Inquiry,** Vol. 7, No. 1, Mar. 1970, pg. 84.

(13) To capture all the various ways the word "need" is used in health literature might require a very general definition such as: Need for nursing services is the quantity of nursing services that provides, for a community, the level of utilization that is viewed as appropriate for them by an identified advisory group based (at least in part) on non-economic criteria.

(14) The WICHE project and Linkage both included such advisory groups.

(15) Based on 1975 data, Linkage determined that while a shortage of RNs existed in the State (82% of needs were being met), LPN and Aide availability compensated so that over 100% of overall nursing needs were being met. Recently I applied the same Linkage criteria to 1977 date (see Folland, 1980) and found that a more than 10% increase in RN employment between

1975 and 1977 had reduced RN shortages so that 96% of needs were met. Only a portion of the RN increase had replaced LPN and Aide employment so that 110% of overall nursing care needs were met.

ANATOMY OF A FEASIBILITY STUDY A MARKETING CASE APPROACH*

by

RODGER D. CARLSON
ASSOCIATE PROFESSOR OF MARKETING

Introduction

The initial task for the marketing analyst is to coordinate all marketing functions to achieve a balanced marketing mix (price, product, promotion, and location). This is probably the primary purpose for which marketing consultants are summoned, and for which marketing departments exist for some companies.

The key to success is to remember the customer, for it is here that we find an end to the beginning of the purpose of an organization, and the purpose of the organization's marketing function.

Some points to consider when conducting a marketing feasibility study will be brought to light by directing attention to a real world example, namely the development of a marketing plan for a new golf driving range in the Houston, Texas area.

The idea of consumerism enables us to recognize it as an opportunity to serve consumers better through providing more information, education, and protection, and to allow these elements to form our marketing plan thereby facilitating the consumers' choice for our service. It is the purpose of a resourceful marketing plan to serve the needs of the growing segment of sensible consumers. We must offer a marketing concept which is a systematic approach to planning the benefits to offer to a distinct public in order to elicit the support that your organization wants in return.

Price

One of the reasons why price is so important in a marketing plan is that it is a controllable variable; one which determines the value of the service to the consumer. In some respects, the pricing decision is made easier in this situation: the prices charged for the use of a golf range are already determined (with some leeway) by the competition - we will not be facing the pricing problems incurred with the introduction of a new product. (This is, of course, assuming that no new additional driving range services will be offered for which we well have to take price-setting into account). However, pricing problems will occur if price changes are initiated.

The service to be provided can be characterized as having an inelastic demand. Demand is great during the warm months of the year, the service is somewhat of a leisure-time activity, and only a specific class of consumers (i.e., golf enthusiasts) represent the buyers. Demand, or people coming in and wanting to use the services stays pretty much constant regardless of the prices charged. Over the short-run, demand may be a bit more elastic, but the long-run effect would be inelastic. Therefore, the pricing policy suggested is a competition oriented price which does not seek to maintain a rigid relation between price and demand. This requires that a set price be maintained even if costs and demands change and at the same time, competitors maintain their prices. This allows one to change prices when competitors change theirs, even when costs and demands have not been altered.

The going rate type of competition-oriented pricing is based on some realities: 1) that the service is homogeneous in that there is little or no product differentiation, 2) competition is very high as there are thirteen driving ranges in the Houston/Harris county area, and 3) the reaction of buyers and competitors to price differentials is difficult to measure. We would likely find ourselves without any customers if our prices were set well above our competitors'. We should be able to achieve the same sales-volume at the going rate so therefore, no incentive exists to sell our service at a lower price than our competitors'.

The primary task, then, is to concentrate on some of the factors which would increase profit, in light of the fact that the price of the service will not be directly influencing profit. The challenge in aggrandizing return is to maintain good cost control with supplies, maintenance, and expenses. These are outlined in Exhibit A.

EXHIBIT A

LONG-TERM FACILITY BUSINESS EXPENSE FORECAST

ITEM		AMOUNT
Land Development		$59,800
Plan design, Rough work	$ 9,000	
Landscaping	$15,000	
Lighting (Electricity contractor)	$12,000	
Sprinkler System	$13,800	
Well	$10,000	
Capital Equipment		$ 8,500
Ball Picker	$ 3,500	
5-Gang Mower & Tractor (Range Mowing)	$ 3,500	
Greens Mower (Tee Line Mowing)	$ 1,500	
Building		$85,000
Clubhouse Construction	$80,000	
Furnishings	$ 5,000	
Range Equipment		$ 4,200
Golf Balls and Clubs	$ 4,000	
Buckets	$ 200	
Incorporation		$ 2,000
Charter Grant	$ 1,500	
Incorporation Tax	$ 500	
TOTAL Long-Term Expenses, Initial Development		$159,500

About the Author:
Rodger D. Carlson is Associate Professor of Marketing at the School of Business, University of South Dakota, Vermillion, South Dakota.

*Research assistance provided by K. Schweizer.

Product

The golf driving range category of consumer products is definitely of the services type, being a satisfaction offered for sale. The formal product is the driving range, where the core product offered is the opportunity to hit golf balls in a suitable environment without the requirement of retrieving one's balls; the golf balls are provided with the sale of this service. The benefit to the customer is the increased level of skill obtained by exercising the opportunity to practice. The augmented product are those benefits that the customer receives in utilizing the formal product's opportunity.

The formal product, the driving range, can also be classified as to product mix. In this product mix are the "product lines" or all those services available at the range facility. This can be compared with the core product and the essential benefits that are offered to the buyer. In the classification of product items fall the individual services that will be available for the customer's use.

Consider now the product items offered to the customer: volumes of golf balls available for use per customer with commensurate prices, the availability of golf pros to augment the benefit of improving the golfer's game, and the various on-site facilities that are associated with the driving range.

Two bucket sizes enable those persons with time constraints to use the whole service for which they have paid (a given bucket size of balls). This makes it possible for customers to utilize the service during their lunch period, or after work. Children or beginners might also find the smaller size more in proportion with their endurance.

In line with the fact that the driving range is used as a practicing or improvement tool, it is proposed that 2-4 professionals be contracted with to provide instruction utilizing the facilities. As finances allow, the addition of a video recorder/monitor would aid the instruction of these pros. Initially, this addition will not have a financial allocation.

Facilities for the customer, besides those associated with the driving range itself, would include:

1. shelter for patrons (air-conditionable);
2. food and beverage concessions, including water, soft drinks, beer, and miscellaneous snacks;
3. seating for non-playing persons, outdoor and indoor;
4. restrooms/dressing rooms for patron's use, located inside the shelter;
5. low-volume golf sales to offer the necessities to the customer: tees, golf balls, etc.

The possibility exists that at a later time, alternate product items may be added to the product line. These services would include a golf pro shop, golf rental equipment, a putting green, and even a 3 to 9 hole par-3 golf course. A much larger prospect would be the addition of a public 18-hole course which is subject to land availability that is outside the scope of this feasibility study.

The price schedule for the various services are listed in Exhibit B.

EXHIBIT B

PRICE SCHEDULE

Golf Range Services	
Small Bucket	$ 1.50
Large Bucket	2.50
Food Concessions	
Beer	$ .50
Soft Drinks	.35
Miscellaneous Food Items	.50 each
Pro Lessons	$15.00 each

Promotion

The market segmentation is the first topic for discussion when proceeding to the subject of promotion. The process of identifying groups of buyers with different buying desires or requirements, facilitates a decision regarding which market segments to serve. These market segments are the objects of promotion strategy.

There are several categories which are appropriate for use with the golf driving range. The usual demographic divisions are: age of the consumer, sex, income, occupation/education, and social class. Of these, the golf range market targets would be affected by age and occupation. The other variables would not affect the demand for the service enough to warrant a promotional scheme directed toward them. Age covers young children, teenagers, young adults, and older adults, while at the same time, occupation encompasses both sexes of the persons who have jobs. The occupation category is separated out because it is estimated that the larger usage rate will be by this category.

Geographic divisions appropriate to the market segmentation effort recognizes that the users of the golf range would come from less than half (the west portion) of the city and county. Promotion should be directed toward this geographic area.

Advertising, a paid form of nonpersonal presentation and promotion of services by an identified sponsor, will reach the market segments through mediums such as: yellow pages, newspaper and aerial advertisements, city bus placards, radio, and a Houston city magazine. The schedule and costs of these are outlined in Exhibit C.

EXHIBIT C

YEARLY COSTS AND ROUTES - PROMOTION

	ITEM	SCHEDULES	COST
1.	Advertiser Advocate	Once/week, 50 weeks/year	$3,500.00
	Purpose: advertising; covers west and southwest segment; is a weekly tabloid, 10 inch advertisement.		
2.	Derry Flying Service	Once/year	$ 500.00
	Purpose: publicity and sales promotion; used during grand opening; provides balloon and banner, and the potential of radio and television coverage as a news item		
3.	Greensheet	Once/week, 50 weeks/year	$2,720.00
	Purpose: advertising; covers northwest and southwest areas of Houston; is a weekly tabloid with 2 columns x two inches deep.		

EXHIBIT C (continued)

ITEM	SCHEDULE	COST
4. KNUZ, KQUE Radio Stations	10 times/week, 50 weeks/year	$28,000.00
Purpose: advertising to mature adults; 30 second spots and during "drive time".		
5. 'Living'Magazine	Six issues/year	$ 22.00
Purpose: to capture residents of Houston, new and established, via routes where this magazine is available; restaurants, business establishments, mortgage offices, banks. Also provides 1/8 of page/issue, black and white.		
6. Southwestern Bell Telephone Yellow Pages	Yearly	$1,[illegible]8.00
Purpose: city-side advertising, all segments.		
7. Winston Network - TDI	Two Buses/year	2,580.00
Purpose: city-bus advertising, Downtown to West and North; captures segments closest to facility; working class orientation.		

Personal selling enters into the promotion scheme via employee's communication with the buyer of golf balls for range use. The customer is presented with the idea of taking lessons to improve the game even more. Another forum for personal selling would be trade shows where a booth is actually a type of sales promotion activity. The persons operating the booth may be effective in orally presenting the additional services that the golf range offers.

Publicity, or nonpersonal stimulation of demand for a service, which is not paid for by a sponsor, can take the form of land development news items located in the business section of the newspaper, on the local television news, or local radio news. The latter two media could be drawn to the news item aspect of the grand opening by combining the prospect of publicity with sales promotion.

The combination of a balloon tethered at the site and local news coverage could provide advance publicity of the event along with actual news coverage after the business becomes operational. Benefit sales promotion used in this way can stimulate consumer purchasing of the service and draw them to the location in the future.

It is evident from this promotion discussion that of the four categories of promotion (advertising, personal selling, publicity, and sales promotion), that advertising and personal selling are being utilized for maintaining business strategies. For stimulating initial reaction and for future boosts to the business, it is planned that a combination of publicity and sales promotion be exercised.

Place

The Houston area has a population of 1,800,000 and currently has 13 golf driving ranges. They cover the geographic areas, as follows: Southwest - 3, West - 4, Northwest - 1, North - 1, South - 3, Downtown - 1.

The location of the land for the proposed enterprise is in the northwest area of Houston. The alternate land area for consideration is in the same area and it is available at a lease of $2,500/month.

Breakeven Analysis

Definition: Business volume when total revenue equals total costs.

Calculation: Price x Quanity = Fixed Costs + Variable Costs.

$PQ = F_c + V_cQ$

$PQ - V_cQ = F_c$

$Q(P-V_c) = F_c$

$Q = F_c/(P-V_c)$

Fixed Costs/Yr. = Salaries + Depreciation

= $39,600 + $2,540

= $42,140

Variable Costs/Unit = Yearly Selling Expense + Yearly Cost of Services Sold.

= $6,000 + $4,200

= $10,800/200 units, yearly

= $54/unit, yearly

= $54./240 days/year*, daily

= $.23/unit (where unit = bucket)

Now Substituting:

$Q = F_c/(P-V_c)$

$Q = \$42,140/\$4. - \$.23$

Q = 11,177 units/year or 46.5 units/day at the break even point.

*Days of operation/year = 240

Results and Conclusions

As appears in the price schedule, two sizes of buckets are offered to accommodate the time constraints and abilities of the consumers belonging to each market segment.

The product offered is a tangible one when observed from the point of view that buckets of balls are sold for practice drives. It is intangible when an attempt is made to measure the service's benefit to the consumer. The control over this, then, comes from the driving range quality, the desire of customers to use this facility over any other, and the employee's abilities to make the customer want to return. The product, therefore, is more than a "bucket of balls", it is all of the facility, its quality, and the quality of the "sales force" (employees at the facility).

Promotion will be use to kick off the grand opening of the facility and combinations of the different categories of promotion will be used to spur use (sales promotion and publicity), with the maintenance of the business promotion covered by personal selling and advertising.

The place of operation is wisely concluded to be in the northwest area of Houston where there presently is only one driving range. This falls in line with the location of the land intended for use.

The breakdown analysis reveals that approximately 50 units/day is the business volume required to meet total costs. Given the present sales volume (in units) of other ranges in the Houston area, this figure is well within the potential of the proposed range.

GROSS SALES AND USE TAXABLE
Counties and Selected Cities in South Dakota
1980 and 1981
($000's)

The dollar amount reported as TOTAL GROSS on the South Dakota Department of Revenue state and city sales and use tax return.

	Jan-Dec 1980	Jan-Dec 1981	% Change Jan-Dec 1980/1981
REGION I			
Brookings	182,067	194,291	6.7
Brookings	151,494	161,795	6.8
Elkton	6,412	7,179	12.0
Volga	6,406	6,555	2.3
Clark	27,417	28,594	4.3
Clark	17,663	17,799	.8
Codington	270,259	289,210	7.0
Watertown	758,253	276,034	6.9
Deuel	27,151	29,252	7.7
Clear Lake	16,349	17,178	5.1
Gary	1,903	2,321	22.0
Grant	71,880	76,968	7.1
Big Stone City	2,860	2,786	-2.6
Milbank	60,152	64,285	6.9
Hamlin	31,930	33,979	6.4
Bryant	6,941	7,913	14.0
Castlewood	4,395	4,999	13.7
Estelline	6,958	6,992	.5
Hayti	5,675	6,024	6.1
Kingsbury	60,469	61,644	1.9
Arlington	18,347	19,212	4.7
DeSmet	17,578	16,526	-6.0
Lake Preston	8,680	8,695	.2
Lake	87,591	95,392	8.9
Madison	76,698	84,384	10.0
Miner	24,250	27,633	14.0
Howard	17,170	20,473	19.2
Moody	53,817	57,778	7.4
Colman	17,986	22,462	24.9
Flandreau	24,459	23,478	-4.0
TOTAL	836,831	894,743	6.9

	Jan-Dec 1980	Jan-Dec 1981	% Change Jan-Dec 1980/1981
REGION II			
Clay	70,786	77,741	9.8
Vermillion	63,037	69,685	10.5
Lincoln	95,557	90,002	-5.8
Canton	42,800	43,046	.6
Hudson	2,193	3,400	55.1
Lennox	10,391	10,480	.9
McCook	58,960	58,862	-0.2
Bridgewater	11,325	12,030	6.2
Canistota	5,858	5,319	-9.2
Salem	31,953	30,850	-3.5
Spencer	5,452	5,724	5.0
Minnehaha	1,714,515	1,815,924	5.9
Brandon	6,513	7,610	16.8
Colton	12,584	15,713	24.9
Dell Rapids	26,919	25,276	-6.1
Garretson	15,501	13,303	-14.2
Hartford	11,213	10,929	-2.5
Sioux Falls	1,529,653	1,626,273	6.3
Turner	69,920	85,894	22.8
Centerville	6,211	6,469	4.2
Marion	21,454	25,765	20.1
Parker	14,411	15,436	7.1
Viborg	11,682	16,197	38.6
Union	113,667	122,701	7.9
Alcester	17,687	18,187	2.8
Beresford	34,926	33,784	-3.3
Elk Point	25,959	30,526	17.6
N. Sioux City	28,396	33,682	18.6
TOTAL	2,123,405	2,251,124	6.0

	Jan-Dec 1980	Jan-Dec 1981	% Change Jan-Dec 1980/1981
REGION III			
Aurora	20,380	21,183	1.0
Plankinton	8,133	8,236	8.6
Bon Homme	52,474	55,144	5.1
Avon	8,837	9,071	2.6
Scotland	12,312	12,658	2.7
Springfield	6,011	6,417	5.0
Tyndall	18,227	19,061	4.6
Tabor	4,992	5,862	17.4
Brule	51,166	57,989	13.3
Chamberlain	37,490	42,614	13.7
Kimball	11,734	13,308	13.4
Charles Mix	70,197	76,016	8.0
Geddes	5,530	6,101	10.3
Lake Andes	8,901	9,301	4.5
Platte	24,622	24,594	-0.1
Wagner	29,099	33,639	15.6
Davison	260,981	266,981	2.3
Mitchell	245,304	250,556	1.9
Douglas	32,010	34,815	8.8
Armour	10,526	10,442	-1.7
Corsica	17,633	20,660	17.2
Gregory	50,290	51,987	3.1
Burke	9,333	9,131	-2.2
Gregory	25,922	26,221	1.2
Hanson	27,443	29,629	8.0
Alexandria	18,591	19,780	6.4
Emery	5,364	6,274	17.0
Hutchinson	93,052	96,934	4.2
Freeman	35,549	41,081	15.6
Menno	10,314	9,515	-7.7
Parkston	29,156	29,254	.3
Tripp	7,545	6,731	-10.8
Jerauld	31,710	32,992	4.0
Wess. Sprgs.	21,438	23,556	9.9
Sanborn	15,291	16,633	8.8
Woonsocket	11,053	12,285	11.1
Yankton	256,844	269,211	4.8
Yankton	236,281	250,852	6.2
TOTAL	964,637	1,011,422	4.9

	Jan-Dec 1980	Jan-Dec 1981	% Change Jan-Dec 1980/1981
REGION IV			
Beadle	200,345	210,762	5.2
Huron	181,623	192,412	5.9
Brown	436,151	483,469	10.8
Aberdeen	389,364	432,475	11.1
Groton	19,432	22,032	13.4
Day	62,245	65,364	5.0
Bristol	6,898	6,795	-1.5
Waubay	3,919	4,117	5.1
Webster	43,013	44,902	4.4
Edmunds	33,912	38,515	13.6
Bowdle	8,334	9,344	12.1
Hosmer	2,677	2,680	.1
Ipswich	17,327	19,253	11.1
Roscoe	5,365	6,490	21.0
Faulk	18,015	18,593	3.2
Faulkton	8,499	8,812	3.7
Hand	36,262	37,771	4.2
Miller	31,915	33,502	5.0
Marshall	42,510	45,021	5.9
Britton	31,911	30,573	-4.2
McPherson	24,950	26,238	5.2
Eureka	18,830	19,495	3.5
Leola	5,126	5,745	12.1
Roberts	62,295	68,410	9.8
Sisseton	30,069	31,592	5.1

	Jan-Dec 1980	Jan-Dec 1981	% Change Jan-Dec 1980/1981
REGION IV			
Wilmot	9,891	10,899	10.2
Spink	50,049	51,761	3.4
Doland	3,865	3,379	-12.6
Redfield	34,606	36,509	5.5
TOTAL	968,775	1,045,905	8.0
REGION V			
Buffalo	647	2,867	343.1
Campbell	10,730	12,143	13.2
Mercer	7,748	8,651	11.7
Corson	13,590	14,376	5.8
McIntosh	3,671	3,937	7.2
McLaughlin	6,763	7,249	7.2
Dewey	25,931	25,471	-1.8
Eagle Butte	12,156	11,877	-2.3
Isabel	4,419	5,003	13.2
Timber Lake	6,362	6,773	6.4
Haakon	3,154	3,096	-1.8
Philip	26,144	24,747	-5.3
Hughes	130,797	150,462	15.0
Pierre	121,117	142,267	17.5
Blunt	5,553	6,000	8.0
Hyde	20,680	21,380	3.4
Highmore	20,211	20,918	3.5
Jones	19,497	20,797	6.7
Murdo	16,996	17,903	5.3
Lyman	19,971	22,577	13.1
Presho	6,771	6,744	-.4
Mellette	5,243	5,363	2.3
White River	3,109	3,374	8.5
Perkins	34,981	37,054	5.9
Lemmon	28,568	31,026	8.6
Potter	44,949	46,472	3.4
Gettysburg	28,740	31,100	8.2
Hoven	13,744	14,254	3.7
Stanley	22,127	19,516	-11.8
Ft. Pierre	22,120	19,503	-11.8
Sully	16,087	16,445	2.2
Onida	14,446	14,423	-0.2
Tripp	84,738	83,224	-1.8
Wimner	97,472	99,376	2.0
Todd	16,702	16,770	2.7
Mission	13,571	15,045	7.7
Walworth	70,940	76,589	8.0
Selby	17,004	20,402	20.0
Mobridge	46,605	48,276	3.6
Ziebach	6,073	5,275	-13.1
Dupree	5,741	4,933	-14.0
TOTAL	590,849	627,395	6.2

	Jan-Dec 1980	Jan-Dec 1981	% Change Jan-Dec 1980/1981
REGION VI			
Bennett	21,454	21,875	2.0
Martin	20,835	21,307	2.3
Butte	68,962	72,989	6.0
Belle Fourche	55,422	59,491	7.3
Newell	7,374	8,147	10.5
Custer	33,010	36,567	10.8
Custer	29,468	32,903	11.7
Fall River	43,611	45,980	5.4
Edgemont	11,410	11,663	2.2
Hot Springs	27,798	29,298	5.4
Harding	5,875	6,243	6.3
Buffalo	4,873	5,307	8.9
Jackson	15,909	19,887	25.0
Kadoka	14,038	17,525	24.8
Lawrence	301,412	283,911	-5.8
Deadwood	39,455	45,762	16.0
Lead	187,893	157,406	-16.2
Spearfish	49,903	58,468	17.2
Whitewood	12,505	10,564	-15.5
Meade	79,897	83,059	4.0
Faith	8,825	9,180	4.0
Sturgis	58,272	59,995	3.0
Pennington	916,210	1,058,991	15.6
Rapid City	849,506	983,749	15.8
Wall	21,031	23,893	13.6
Shannon	6,713	6,972	3.8
Pine Ridge	2,331	2,154	-7.6
Washabaugh	473	324	-31.4
TOTAL	1,493,426	1,636,799	9.6
STATE TOTAL	6,977,922	7,467,388	7.0

LOCAL BUSINESS CONDITIONS

	Jan.-March 1981	Jan.-March 1982	Change Jan.-Mar. 1982/1981
Aberdeen			
Advertising Lineage Index	198.8	174.7	-12.1
Building Permits	0	0	---
Value of Postal Receipts	680,641	693,057	1.8
Value of Postal Money Orders	114,852	122,328	6.5
Telephones in Service	28,943	28,123	-2.8
Brookings			
Building Permits	243,000	121,600	-50.0
Value of Postal Receipts	275,851	348,157	26.2
Value of Postal Money Orders	55,709	50,911	-8.6
Huron			
Building Permits	38,850	41,675	7.3
Value of Postal Receipts	266,724	331,796	24.4
Value of Postal Money Orders	54,680	69,687	27.4
Telephones in Service (March)	14,636	14,346	-2.0
Mitchell			
Building Permits	100,416	0	---
Value of Postal Receipts	243,320	326,874	34.2
Value of Postal Money Orders	67,319	66,736	-0.9
Telephones in Service (March)	14,973	14,791	-1.2
Pierre			
Building Permits	1,162,000	85,000	-92.7
Value of Postal Receipts	355,700	504,699	41.9
Value of Postal Money Orders	61,004	84,288	38.2
Telephones in Service (March)	15,650	15,445	-1.3
Rapid City			
Advertising Lineage Index	184.8	197.1	6.7
Building Permits	868,661	292,511	-66.3
Value of Postal Receipts	958,582	1,190,601	24.2
Value of Postal Money Orders	242,351	301,408	24.1
Telephones in Service (March)	63,777	63,216	-0.9
Sioux Falls			
Advertising Lineage Index	197.5	184.6	-6.5
Building Permits	2,744,875	208,792	-92.4
Value of Postal Receipts	2,342,370	4,732,092	102.0
Value of Postal Money Orders	283,750	268,427	-5.4
Telephones in Service (March)	87,632	85,703	-2.2
Watertown			
Building Permits	160,472	124,208	-22.6
Value of Postal Receipts	766,920	811,226	5.8
Value of Postal Money Orders	62,292	91,771	47.3
Telephones in Service (March)	16,738	16,932	1.2
Yankton			
Building Permits	529,500	42,000	-92.1
Value of Postal Receipts	833,501	978,086	17.3
Value of Postal Money Orders	89,882	93,353	3.9
Telephones in Service (March)	13,803	13,558	-1.8

PROSPECTIVE PLANTINGS
South Dakota - 1982
(Thousands of Acres)

	Acreage planted 1980	Acreage planted 1981	Intentions 1982	1982 as % of 1981
All corn	3,480	3,400	3,400	100
All sorghum	485	600	550	92
Oats	2,200	2,250	2,600	116
Barley	590	650	585	90
Soybeans	780	780	760	97
Flaxseed	285	180	250	139
Durum wheat	250	260	230	88
Other spr. wheat[1]	2,600	2,550	2,400	94
All sunflower	525	450	550	122
All hay[2]	4,160	4,310	4,500	104

[1]Other than durum.
[2]Harvested acreage.

Source: South Dakota Crop & Livestock Reporter.

TELEPHONES IN SERVICE
Selected Cities--South Dakota
March 1981 and 1982

City	March 1981	March 1982	Change 1982/1981
Aberdeen	28,943	28,123	-2.8
Belle Fourche	4,903	4,836	-1.4
Canton	3,347	3,316	-0.9
Chamberlain	2,929	3,057	4.4
Deadwood	3,353	3,310	-1.3
DeSmet	1,751	1,740	-0.6
Elk Point	1,825	1,807	-1.0
Hot Springs	4,194	4,341	3.5
Huron	14,636	14,346	-2.0
Lead	3,617	3,643	0.7
Madison	6,767	6,822	0.8
Milbank	5,068	5,168	2.0
Mitchell	14,973	14,791	-1.2
Mobridge	4,321	4,246	-1.7
Philip	NA	NA	NA
Pierre	15,650	15,445	-1.3
Rapid City	63,777	63,216	-0.9
Redfield	4,385	4,381	-0.1
Sioux Falls	87,632	85,703	-2.2
Sturgis	6,485	6,426	-0.9
Tyndall	1,309	1,314	0.4
Vermillion	9,230	9,336	1.1
Watertown	16,738	16,932	1.2
Webster	2,873	2,872	-0.03
Wessington Springs	1,767	1,756	-0.6
Winner	4,666	4,718	1.1
Yankton	13,803	13,558	-1.8

Source: Northwestern Bell, Sioux Falls, South Dakota

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS
UNITED STATES
January-March 1982

Item	Jan.	Feb.	March	Unadjusted % Change Feb.-Mar. 1982
All Items	282.5	283.4	283.1	-0.1
Food & beverages	273.6	275.8	275.6	-0.1
Food	281.0	283.3	283.0	-0.1
Alcoholic beverages	204.0	205.6	206.6	0.5
Housing	306.1	307.3	306.7	-0.2
Shelter	328.3	329.5	327.6	-0.6
Rent, residential	217.8	218.6	219.6	0.5
Homeownership	367.5	368.7	365.7	-0.8
Fuel & other utilities	336.2	337.1	339.3	0.7
Fuels	426.9	427.6	430.5	0.7
Fuel oil, coal & bottled gas	686.0	683.1	664.0	-2.8
Gas (piped) & electricity	367.4	368.7	375.9	2.0
Other util. & Pub. Services	192.7	193.9	195.0	0.6
Household furnishing & operation	228.4	230.2	231.6	0.6
Apparel & upkeep	187.3	188.0	191.1	1.6
Transportation	289.9	288.0	285.1	-1.0
Private transportation	286.6	284.5	281.3	-1.1
Public transportation	334.9	336.8	336.7	-0.0
Medical care	313.4	316.2	318.8	0.8
Entertainment	229.2	231.2	232.8	0.7
Other goods and services	248.4	250.3	252.2	0.8

BUSINESS RESEARCH BUREAU
SCHOOL OF BUSINESS
THE UNIVERSITY OF SOUTH DAKOTA
VERMILLION, SOUTH DAKOTA 57069

HOURS AND EARNINGS OF PRODUCTION OR NONSUPERVISORY WORKERS
IN SELECTED GROUPS IN SOUTH DAKOTA
March 1981 and March 1982

	AVERAGE WEEKLY EARNINGS		AVERAGE WEEKLY HOURS		AVERAGE HOURLY EARNINGS	
	March 1982	March 1981	March 1982	March 1981	March 1982	March 1981
South Dakota Statewide						
Manufacturing	$296.10	288.01	42.3	41.5	7.00	6.94
Durable Goods	266.93	264.77	40.2	41.5	6.64	6.38
Lumber & Furniture	261.62	252.50	39.4	40.4	6.64	6.25
Fabricated Metals and Mach.	250.14	257.35	37.9	40.4	6.60	6.37
Nondurable Goods	324.72	311.74	44.3	41.4	7.33	7.53
Food and Kindred Products	367.62	374.54	46.3	43.1	7.94	8.69
Paper, Printing & Publishing	234.57	216.80	34.7	35.6	6.76	6.09
Sioux Falls SMSA						
Manufacturing	408.18	387.49	49.9	44.9	8.18	8.63
Durable Goods	284.09	259.72	39.9	40.9	7.12	6.35
Nondurable Goods	424.45	385.56	51.2	42.0	8.29	9.18

Source: South Dakota Labor Bulletin, March 1982

CONG INFORM SERV
SRI
4520 EAST-WEST HWY
BETHESDA MD 20814

TOTAL PERSONAL INCOME
United States, Plains Region and States
Fourth Quarter 1980 through Fourth Quarter 1981
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1980	1981				% Change
	IV	I	II	III	IV	4th Qtr. '80 4th Qtr. '81
United States	2,258,205	2,327,381	2,376,157	2,449,670	2,493,092	10.4
Plains States	165,264	171,428	174,131	179,970	183,690	11.1
Iowa	28,079	28,518	28,977	29,825	30,360	8.1
Kansas	24,269	24,983	25,544	26,284	26,783	10.4
Minnesota	41,244	42,718	43,094	44,685	45,502	10.3
Missouri	45,380	47,233	48,043	49,577	50,322	10.9
Nebraska	14,862	15,739	15,831	16,483	16,883	13.6
North Dakota	5,864	6,437	6,694	6,998	7,593	29.5
South Dakota	5,558	5,799	5,948	6,119	6,247	12.4

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
March 1981 and March 1982
(In Thousands)

	March 1982	March 1981	% Change
Total Nonagricultural	229.2	232.5	- 1.4
Manufacturing	25.8	25.2	2.4
Durable Goods	13.0	12.7	2.4
Lumber & Furniture	1.0	1.2	-16.7
Fabricated Metals & Machinery	8.9	8.4	6.0
Other Durable Goods	3.1	3.1	0.0
Nondurable Goods	12.8	12.5	2.4
Food & Kindred Products	7.9	7.5	5.3
Paper, Printing & Publishing	2.5	2.4	4.2
Other Nondurable Goods	2.4	2.6	- 7.7
Nonmanufacturing	203.4	207.3	- 1.9
Mining	2.8	2.8	0.0
Construction	6.8	8.0	-15.0
Transportation & Public Utilities	13.0	12.8	1.6
Railroads	.8	1.0	-20.0
Other Transportation	6.3	6.0	5.0
Communications & Public Utilities	5.9	5.8	1.7
Trade	62.6	63.1	- 0.5
Wholesale Trade	16.8	17.0	- 1.2
Durable Goods	7.6	7.9	- 3.8
Nondurable Goods	9.2	9.1	1.1
Retail Trade	46.0	46.1	- 0.2
Finance, Insurance & Real Estate	11.2	11.1	0.9
Services	48.7	50.4	- 3.4
Hotels, Motels, Pers. & Business	11.4	11.9	- 4.2
Medical and Health	20.6	20.5	0.5
Educational, Membership & Social	14.0	15.2	- 7.9
Other	7.7	7.8	- 1.3
Government	56.1	59.1	- 5.1
Federal	10.4	10.7	- 2.8
State	15.7	16.2	- 3.1
State Education	8.0	8.2	- 2.4
Other State	7.7	8.0	- 3.8
Local	32.0	32.2	- 0.6
Local Education	19.2	19.4	- 1.0
Other Local	12.8	12.8	0.0

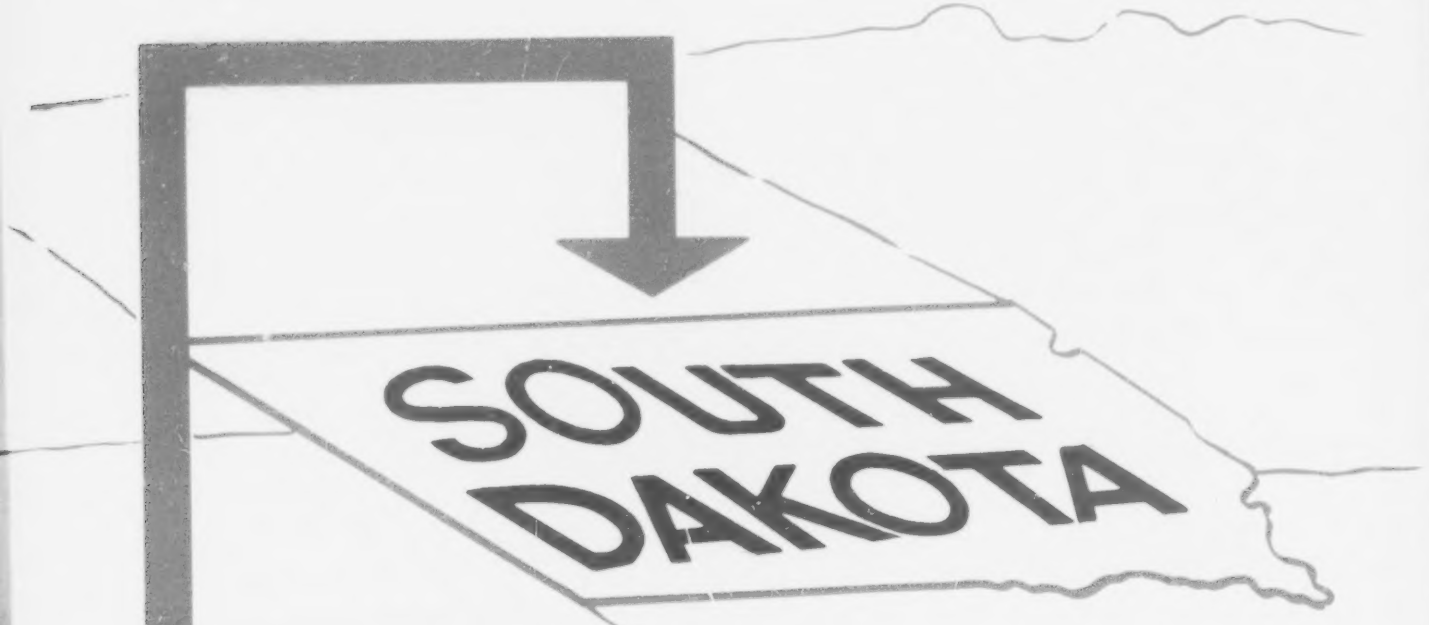
TAXABLE RETAIL SALES
In Selected Cities of
South Dakota
(000's of Dollars)

	4th Qtr. 1981	4th Qtr. 1980	% Change 4th Qtr. 1981 from 4th Qtr. 1980	Year 1981	Year 1980	% Change 1981/1980
Aberdeen	53,347	54,226	-0.5	200,117	187,438	6.8
Belle Fourche	7,912	7,418	6.7	28,573	26,097	9.5
Brookings	24,207	23,055	5.0	86,141	79,475	8.4
Chamberlain	4,641	4,904	-5.4	18,098	17,237	5.0
Dell Rapids	2,330	2,204	5.7	8,605	8,384	2.6
Huron	23,351	23,675	-1.2	86,356	82,983	4.1
Lead	6,559	5,653	16.0	27,154	22,012	23.4
Madison	9,229	9,181	.5	35,315	33,194	6.4
Milbank	8,166	7,946	2.8	29,830	27,615	8.0
Mitchell	29,990	29,636	1.2	111,273	105,294	5.7
Mobridge	7,009	6,599	6.2	25,003	23,350	7.1
Pierre	21,858	20,120	8.6	81,139	72,645	11.7
Rapid City	112,208	106,667	5.2	412,708	379,021	8.9
Sioux Falls	178,441	177,949	.3	655,435	616,725	6.3
Vermillion	9,288	8,997	3.2	34,885	33,042	5.6
Watertown	35,779	34,576	3.5	129,694	118,836	9.1
Winner	8,343	7,932	5.2	30,203	28,023	7.8
Yankton	25,221	23,486	7.4	89,803	83,956	7.0
Total	568,509	564,226	2.6	2,090,332	1,945,327	7.5

PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD -- SOUTH DAKOTA
MARCH 1981 & MARCH 1982

Commodity and Unit		Base Period Price 1910-1914 Average	Price March 1982	Price March 1981	1982 Price as % of Base	% Change 1982/ 1981
Wheat	Bu.	$ .86	$ 3.50	$ 4.25	412	-17.65
Corn	Bu.	.51	2.31	3.03	453	-23.76
Oats	Bu.	.35	1.83	2.00	523	- 8.50
Barley	Bu.	.59	2.36	3.05	400	-22.62
Flaxseed	Bu.	1.68	6.73	7.45	401	- 9.66
Milk, whsl.	Cwt.	1.02	N/A	13.30	N/A	N/A
Eggs	Doz.	.196	N/A	N/A	N/A	N/A
Cattle	Cwt.	5.24	60.70	60.80	1,158	- .16
Calves	Cwt.	6.08	65.90	73.00	1,084	- 9.73
Hogs	Cwt.	7.07	47.60	38.10	673	24.93
Sheep	Cwt.	4.24	15.50	25.40	366	-38.98
Lambs	Cwt.	5.66	58.90	57.40	1,040	2.61
Wool	Lb.	.178	.79	.86	444	- 8.14

Source: South Dakota Crop and Livestock Reporter.



BUSINESS REVIEW

BUSINESS RESEARCH BUREAU
SCHOOL OF BUSINESS
UNIVERSITY OF SOUTH DAKOTA

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SURVEY OF GRADUATES SCHOOL OF BUSINESS, U.S.D.

By Arthur A. Volk

During 1981, a questionnaire was mailed to all of the graduates of the School of Business. A total of 1,688 usable forms (about 40%) were returned. A breakdown of these returns by major field of study is shown in Table I. Questionnaires returned were from 725 management majors, 645 accounting majors and 318 from other major categories.

TABLE I

Major Field of Study
School of Business Graduates
Survey of 1981

Major	Questionnaires Returned	%
Management	725	42.9
Accounting	645	38.2
Economics	99	5.9
MBA Only	72	4.3
Business Education	32	1.9
Secretarial	21	1.2
Business & Industrial Mgt.	18	1.1
All Other	54	3.2
No Response	22	1.3
TOTAL	1,688	100.0

Of the 645 accounting majors returning a questionnaire, 269 had achieved the CPA certificate (41.7%). Nearly 22 percent of the CPA's reported passing the CPA exam on the first try, 29 percent passed in two attempts, over 27 percent passed on the third sitting, about 13 percent needed four tries and the remaining 9 percent became CPA's after taking the examination more than four times.

Accounting majors took employment in a number of fields. Table II shows the area of original employment of accounting majors compared with their current employment. It shows, for instance, that of the 645 accounting majors, 309 **originally** took employment in public accounting, and 176 **currently** are employed in public accounting.

TABLE II

USD School of Business Graduates
Majors in Accounting
Areas of Employment - Original and Current
Survey of 1981

Area	Original		Current	
	No.	%	No.	%
Public Accounting	309	47.9	176	27.3
Private Accounting	113	17.5	110	17.0
Government	74	11.5	64	9.9
General Business	58	9	114	17.7
All Other	91	14.1	181	28.1
TOTALS	645	100.0	645	100.0

Table III shows for management majors the same information as Table II presented for accounting majors. It shows the original area of employment of management majors compared with their present employment. General Business Management

About the Author: Arthur A. Volk is Director of the Business Placement Bureau and Professor of Accounting at the School of Business, University of South Dakota.

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includes majors in General Business, Marketing, Management, Finance, Insurance, etc. The table shows that originally 281 of those returning the questionnaire were in the Business Management field, compared to 286 currently.

TABLE III

USD School of Business Graduates
Majors in General Business Management
Areas of Employment - Original and Current
Survey of 1981

Area	Original		Current	
	No.	%	No.	%
Business Management	281	38.8	286	39.4
Sales Related	75	10.3	58	8.0
Insurance	56	7.7	43	5.9
Government	51	7.0	39	5.4
Banking	38	5.2	46	6.3
Private Accounting	27	3.7	16	2.2
Law	26	3.6	35	4.8
All Other	171	23.6	202	27.9
TOTALS	725	99.9	725	99.9

Table IV shows the first type of employment compared to current employment for all 1,688 responding School of Business majors. An explanation of Table IV using Public Accounting as the field of employment may prove helpful to readers. Reading down the left-hand column, "Public Accounting," it is seen that 193 of the responding alums are currently employed in Public Accounting. (Incidentally, Table II shows that 176 of these were accounting majors.) Of the 193 currently in public accounting, 158 started in public accounting, 14 in private accounting, 15 in governmental work, 1 in law, 1 in secretarial, and 4 from other types of employment. Reading across on the "Public Accounting" line, of the 1,688 respondents, 337 began their employment in public accounting. Of these 337, 158 are still in public accounting, 56 are in private accounting, 51 in general business management, 7 in government, 6 in law, 8 in education, and so on across the "Public Accounting" line, for a total of 337 that began working in public accounting. The last column, reading down, shows the percent of those returning the questionnaire that are still in their original field of employment.

TABLE IV

USD School of Business Graduates
First Type of Employment Compared to Current Employment
Number of Replies - Survey of 1981

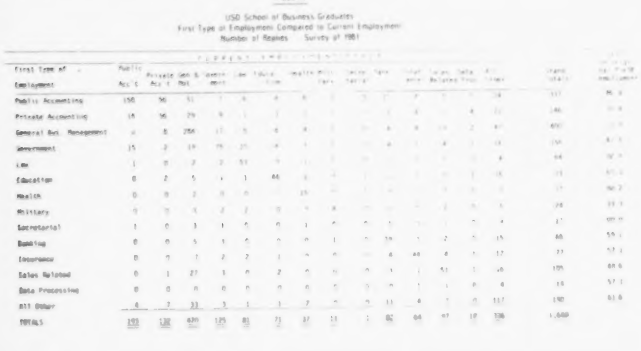
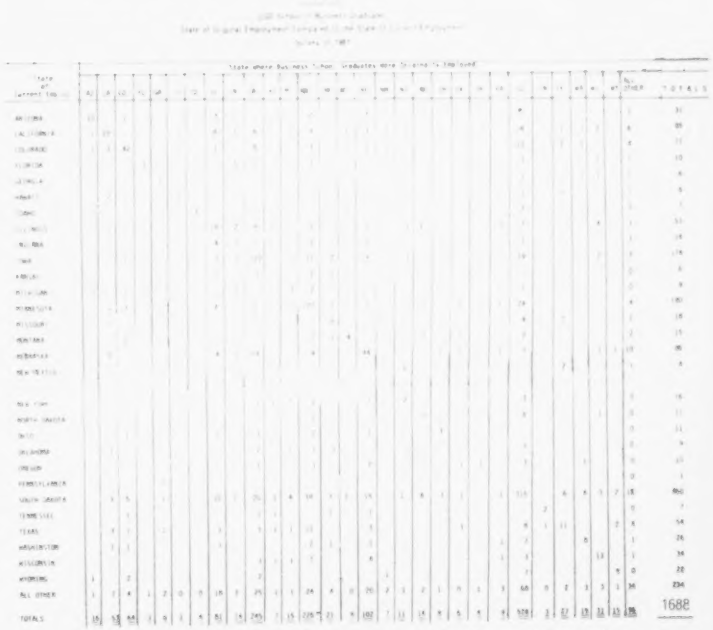


Table V presents a perspective of employment location dynamics. Table usage can be demonstrated using Arizona as an example: The total of the column captioned "Arizona" reading down shows that, originally, of the 1,688 responding to the questionnaire, 16 of the Business School alums began their employment in Arizona. Of these 16, 10 are still in Arizona, 1 has moved to California, 1 to Colorado, 1 to Idaho, 1 to Michigan, 1 to Wyoming, and 1 to a state other than those listed for a total of 16.

Reading across on the Arizona row line, the total is 31. This means that there are presently 31 of our alums (of those reporting) employed in Arizona. Of the 31, 10 began in Arizona, 1 in Colorado, 3 in Illinois, 1 in Indiana, 2 in Minnesota, 3 in Nebraska, 9 in South Dakota, and 2 in states other than listed for a total of 31.

As for South Dakota: Reading down the column, there are a total of 528 B-School alums that began employment in South Dakota (the 528 total of the column). Of these 528, 9 are now in Arizona, 14 are in California, 10 in Colorado, and so on down the column. Of the 528 originally employed in South Dakota, there are still 315 in the State. Reading across the South Dakota line, the row total is 460. This means that there are currently 460 alums (of the 1,688 reporting) in South Dakota. Three were originally employed in California, 5 in Colorado, 1 in Georgia, 10 in Illinois, 2 in Indiana, 20 in Iowa, and so on across the row. Of the 460 currently employed in South Dakota, 315 were originally employed in the State.



The last item for this report deals with salary. In Table VI a comparison is made between the average beginning salary and the average current salary by year of graduation. Quite a number of

(Continued on Page 6)

National Economy

During the second quarter the national economy performed about as expected with real GNP up moderately. However, the June figures were somewhat disappointing with industrial production declining for the tenth time in eleven months, housing starts declined by 15 percent and retail sales dropped relatively sharply. Review of July figures suggests further hesitance in the economy with retail sales showing but a slim growth and unemployment climbing to 9.8 percent.

Though most private economists continue to forecast improvement in the second half of 1982 lack of consumer enthusiasm has tarnished their expectations somewhat. On the positive side are declining interest rates in accordance with expectations as well as a much improved inflation outlook. With rising incomes and declining inflation expections, the rise in real income is expected to provide the needed stimulus to record a moderate improvement in the second half of 1982. Regardless it is not expected that the swing on the upside will be rapid.

South Dakota Economy

Looking at the employment sector in South Dakota there was some improvement in the construction field. Even though the number of construction workers increased from 8,600 in May 1982 to an estimated 9,700 in June this was the lowest June figure since 1971 according to the South Dakota Labor Bulletin. The graph on the accompany page summarizes quarterly data from 1978 through the second quarter of 1982 on a seasonally adjusted basis.

The unemployment rate in South Dakota remains well below the national average of almost 10 percent in June 1982. The June 1982 rate for South Dakota of 5.3 percent rose from the previous month's rate of 4.5 percent due in part to the influx of students into the summer job market. On a quarterly basis with adjustment for seasonal variation this index rose slightly from 4.8 to a rate of 5.2 percent.

South Dakota's farm proprietors' income declined substantially in the first quarter of 1982 from $251 million in the fourth quarter of 1981 to $187 million in the first quarter of 1982. There was a similar decline on the national level for this same period with a drop of almost 31 percent. Changes in crop inventory accounted in a large part for this decrease.

Personal income remained almost constant in the first quarter of 1982 compared to the fourth quarter of 1981 decreasing only 0.4 percent for this period on a seasonally adjusted basis. The taxable retail sales index in South Dakota also declined for this same period by 2.4 percent.

The new car sales index decreased slightly in the second quarter of 1982 compared to the first quarter of 1982 while sales of new trucks rose slightly for this period. The following table provides information on the indicators of business activity for 1981 and 1982.

SOUTH DAKOTA BUSINESS INDICES
1981-1982, By Quarter
Seasonally Adjusted
(1972=100)

	1981				1982	
	1st	2nd	3rd	4th	1st	2nd
Personal Income	117.5	118.3	119.4	119.8	119.3	- - -
Farm Proprietors Income	24.6	27.5	26.5	24.9	18.3	- - -
Taxable Retail Sales	120.7	121.0	123.8	120.1	117.2	- - -
Unemployment Rate	5.1	5.0	5.0	5.2	4.8	5.2
Construction Employment	114.8	116.8	109.4	105.8	99.8	96.5
New Cars	68.0	86.2	73.8	67.5	65.8	61.0
New Trucks	51.0	49.4	41.3	52.7	57.6	60.8

Mid Year 1982: The South Dakota Economy

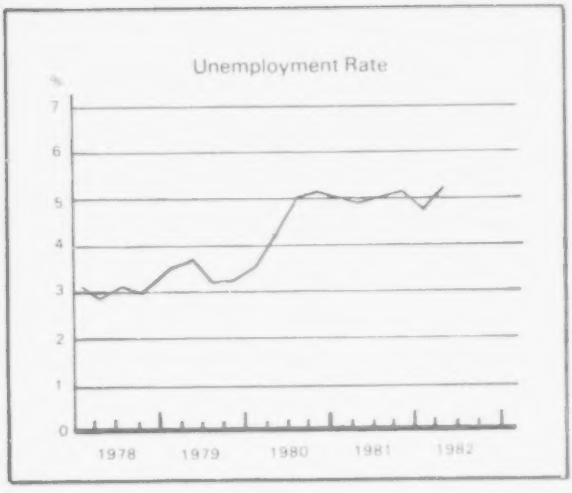
In the February issue of the **South Dakota Business Review,** we stated that for 1982 the outlook for the economy was clouded by a number of unanswered questions. Many of those questions are still unanswered. They include such issues as when the national recession will bottom out, where interest rates are headed, and what will be the trend of farm prices? Despite the lack of hard answers to these tough questions, in mid-July we continue to anticipate a slow growth in the South Dakota economy in 1982.

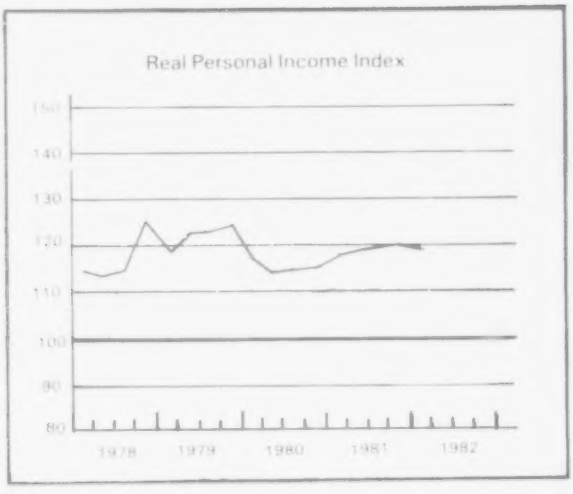
To address the expected changes in the South Dakota economy, an updated forecast of the South Dakota Labor Market Model has been prepared. The table on page 6 presents the latest forecast for selected economic variables. Real (inflation-adjusted) total personal income, a broad measure of state economic activity, declined sharply in 1980, recovered some in 1981, and is expected to continue a slow recovery in 1982. Real wage and salary income is projected to increase 2.6 percent in 1982 as employment shows modest gains. The unemployment rate in 1982 is expected to remain near the 5 percent level of 1981.

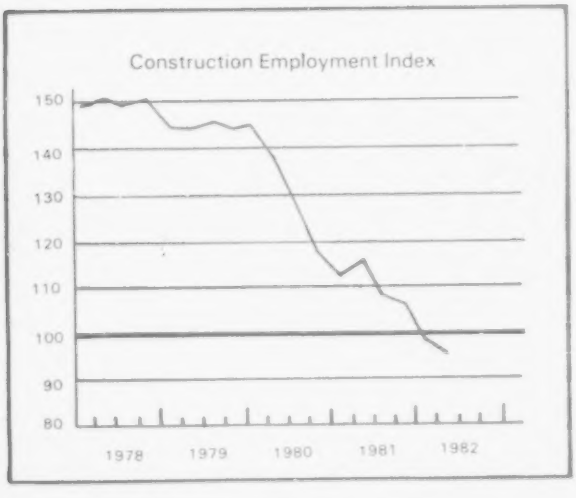
(Continued on Page 6)

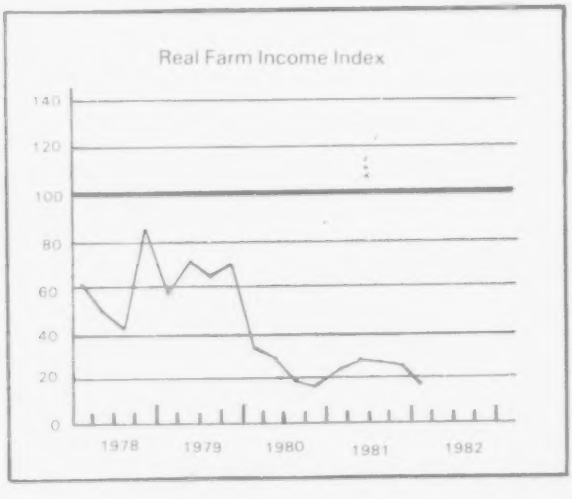
SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

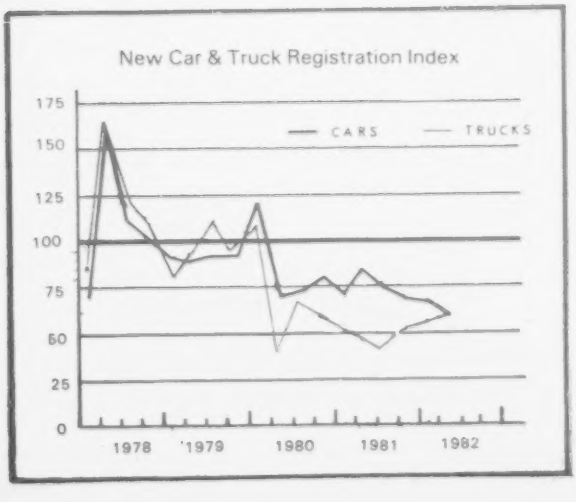
Quarterly Data 1978-1982
Adjusted for Seasonal Variation

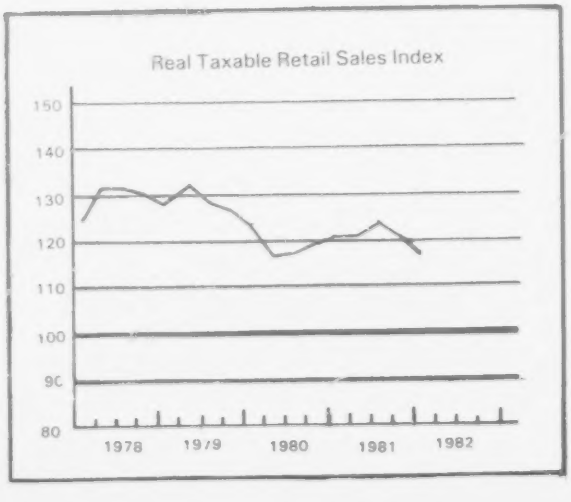












(Continued from Page 5)

respondents that graduated 25 to 30 or more years ago have retired so the current salary of these is not indicative of their earning power. Rather than use each year, 5 year intervals will be used.

TABLE VI

USD SCHOOL OF BUSINESS GRADUATES
Beginning Average Annual Salary Compared to Current Average Annual Salary
By Graduation Years in Five Year Intervals
Survey 1981

Year of Graduation	Beginning Salary	Current Salary	% Yearly Increase, Compounded
1950	$ 2,600	$37,250	9.4
1955	3,150	56,750	12.1
1960	5,300	70,000	13.8
1965	6,500	46,300	13.9
1970	8,850	42,250	15.1
1975	9,350	26,500	16.0
1980	13,850	18,500	N/M

Finally, Table VII compares the average starting salaries and average current salaries of USD Business School alums by the state of their employment. The data in Table VII are limited to those states having 15 or more respondents. And because these respondents cover over a 50-year period, the shift of employment from the Middle West to areas of oil production and the Sunbelt has quite an influence on the beginning and current salaries of alums by states. The figures in Table VII are for the 1,688 respondents to the survey.

TABLE VII

USD School of Business Graduates
Average Beginning Salaries Compared to Average Current Salaries
By States
Survey of 1981

State	Beginning Salary	Current Salary
Arizona	$ 8,969	$35,783
California	7,273	43,231
Colorado	9,109	37,857
Illinois	6,074	45,294
Iowa	7,546	34,398
Michigan	5,733	48,330
Minnesota	8,255	39,905
Missouri	5,952	36,111
Montana	6,110	35,500
Nebraska	8,245	31,977
New York	7,363	42,969
South Dakota	7,096	29,675
Texas	11,000	44,198
Washington	7,684	41,293
Wisconsin	8,161	36,136
Wyoming	9,200	30,909

(Continued from Page 4)

SOUTH DAKOTA LABOR MARKET MODEL
SELECTED ECONOMIC INDICATORS

Description	Actual Data 1981.2	1981.3	1981.4	Forecast Data 1982.1	1982.2	1982.3	1982.4	Annual Data 1980	1981	1982
South Dakota Indicators										
Personal Income (Millions)	5948.0	6119.0	6247.0	6296.0	6517.9	6695.2	6854.5	5408.5	6028.2	6590.9
(% change)	10.1	11.3	8.3	3.1	13.9	10.7	9.4	3.8	11.5	9.3
Personal Income (1972 $ S)	3106.0	3126.7	3134.5	3119.9	3188.8	3226.6	3253.2	2998.1	3111.4	3197.9
(% change)	3.8	2.7	1.0	-1.9	8.7	4.7	3.3	-6.0	3.8	2.8
Nonfarm Pers. Inc. (Millions)	5682.0	5857.0	5996.0	6109.0	6264.5	6437.8	6617.8	5183.7	5774.7	6357.3
(% change)	8.3	12.1	9.4	7.4	10.1	11.0	11.1	10.9	11.4	10.1
Nonfarm Pers. Inc. (1972 $ S)	2967.1	2992.8	3008.5	3027.3	3064.8	3102.6	3140.9	2873.5	2980.5	3084.6
(% change)	2.0	3.5	2.1	2.4	5.0	4.9	4.9	0.4	3.7	3.5
Wage & Salaries (Millions)	2979.0	3034.0	3105.0	3176.0	3234.4	3313.5	3428.7	2750.7	3013.5	3288.1
(% change)	5.8	7.3	9.3	9.0	7.3	9.7	13.7	7.4	9.6	9.1
Wage & Salaries (1972 $ S)	1555.6	1550.3	1558.0	1573.8	1582.4	1596.9	1627.3	1524.8	1555.4	1595.4
(% change)	-0.5	-1.4	2.0	4.1	2.2	3.7	7.5	-2.8	2.0	2.6
Farm Income (Millions)	280.0	276.0	266.0	202.0	268.4	272.5	251.9	236.0	267.7	248.7
(% change)	42.5	-2.4	-10.9	-82.9	91.2	6.6	-23.1	-56.8	13.5	-7.1
Farm Income (1972 $ S)	146.2	141.0	133.5	100.1	131.3	131.3	119.5	130.8	138.2	120.7
(% change)	36.2	-11.1	-18.2	-87.9	86.1	0.6	-29.3	-60.9	5.6	-12.7
Total Employment (Thousands)	323.7	329.6	311.9	296.6	328.3	339.2	317.8	317.0	316.0	320.5
(% change year-over-year)	-0.2	0.5	-0.1	-0.8	1.4	2.9	1.9	-2.2	-0.3	1.4
Nonag. Employemnt (Thousands)	239.7	239.0	237.4	228.6	241.9	245.4	245.1	238.0	236.8	240.3
(% change year-over-year)	-0.5	0.3	-0.3	-1.1	0.9	2.7	3.2	-1.4	-0.5	1.5
Manufacturing Employment	25.9	26.0	26.1	25.8	25.8	25.9	26.4	26.1	25.8	26.0
(% change year-over-year)	-0.7	2.8	1.6	2.7	-0.5	-0.4	1.1	-5.0	-1.1	0.7
Retail Sales-Gross & Use	2366.7	2466.3	2501.0	2017.5	2742.7	2909.1	3148.4	2182.9	2351.0	2704.4
(% change year-over-year)	14.7	11.0	-0.8	-2.5	15.9	18.0	25.9	4.0	7.7	15.0
Unemployment Rate (%)	4.8	4.5	5.0	5.8	5.0	4.5	4.5	4.8	5.1	5.0
U.S. Indicators										
Real GNP (1972 $ S)	1510.4	1515.8	1498.4	1483.6	1489.0	1505.9	1520.0	1480.7	1510.2	1499.6
(% change)	-1.6	1.4	-4.6	-4.0	1.5	4.5	3.7	-0.2	2.0	-0.7
GNP Deflator (1972 = 100)	191.1	195.6	200.1	201.9	204.7	208.2	211.5	177.4	193.7	206.6
(% change)	6.2	9.4	9.1	3.6	5.5	6.8	6.3	9.0	9.2	6.6
Pers. Cons. Def. (1972 = 100)	191.5	195.7	199.3	201.8	204.4	207.5	210.7	180.4	193.7	206.1
(% change)	6.3	8.7	7.3	5.0	5.1	6.0	6.1	10.5	7.4	6.4
Cons. Price Index (1967 = 100)	269.0	276.7	280.7	283.6	286.1	289.7	293.6	246.8	272.3	286.2
(% change)	9.2	11.3	5.7	4.1	3.5	5.0	5.3	13.5	10.3	5.8
Unemployment Rate (%)	7.4	7.4	8.4	8.8	9.5	9.3	8.9	7.1	7.6	9.1
Treasury Bill Rate (91 Day)	14.8	15.1	12.0	12.9	12.4	11.0	10.0	11.6	14.1	11.6

THE FUTURES MARKETS: GAMBLING OR INVESTING?

by
Douglas Kahl

Introduction

There has been a huge growth in the futures markets in recent years. While the number of contracts traded in most futures markets has grown at double digit rates, the list of assets in which futures contracts are traded has also been greatly expanded. However, it sometimes seems that the controversy surrounding the futures markets has been growing at a corresponding rate. Many people view the futures contract as a vehicle for highly levered investing. Others condemn the futures markets as nothing more than mechanisms for sophisticated gambling or price manipulation. In this article we will present a basic introduction to futures and attempt to clarify some of the points of controversy.

Futures Contracts

An individual wishing to buy or sell an asset in exchange for immediate payment can do so in what is often called a spot market. However, if the transaction is to be consummated at some time in the future, the buyer and seller may negotiate a forward contract. That is, a bilateral contract (specifying the asset, its quality and quantity, the settlement date, the price to be paid, location of the exchange along with whatever other terms are required) is negotiated to define the exchange which will take place in the future. A forward contract between a producer of the asset (agreeing to sell) and a user of the asset (agreeing to buy) can substantially reduce the risk resulting from potential future price changes for both parties. The possible benefits from a forward contract are obvious. However, the process of locating the other party, verifying the reliability of the other party and negotiating the contract can be extremely costly and time consuming. When there are a large number of potential buyers and sellers wanting forward contracts, an organized market for forward contracts is more efficient.

A futures market is basically an organized market for forward contracts. The futures market provides a standardized contract, a standardized and reliable other party to the contract (the clearing corporation), greater liquidity and increased efficiency. A futures market has two main components. One component is an exchange where buyers and sellers (or their agents) can meet to negotiate the settlement price on the futures contract. The futures contract is a forward contract where all terms - except the settlement price - have been standardized by the exchange. The other major component of a futures market is the clearing corporation. The clearing corporation acts as the other party in every futures contract. So long as the clearing corporation is well financed there need be no great concern that the other party to the contract - the clearing corporation - will renege on its commitment.

At this point, it will be helpful for the reader to be familiar with some futures terminology. Participants in the futures market are classified by the type of contract they hold and by their reason for holding that contract. An individual who has agreed to buy an asset is said to have a long position while an individual who has agreed to sell an asset is said to have a short position. A market participant can either increase or decrease his risk exposure by participating in the futures market. A market participant who reduces his risk exposure by taking a long or short position in the futures market is called a hedger. A market participant who increases his risk exposure by taking a position in the futures market is called a speculator. A long hedger, then, is an individual who reduces his risk by contracting to buy the asset at some future time. A short speculator is an individual who increases his risk by contracting to sell an asset at some time in the future.

Since there must be two parties to every contract, the net position of the market is always zero. That is, there are exactly as many long contracts as short contracts outstanding at all times. In addition, the clearing corporation always maintains a net position of zero, implying that all other participants must also have a net position of zero. Effectively, all contracts are between individuals other than the clearing corporation, with the clearing corporation acting as guarantor on all contracts.

The settlement price adjusts to equalize the quantity of short contracts demanded with the quantity of long contracts demanded. For example, if the demand for long contracts is greater than the demand for short contracts at a given settlement price, the settlement price will be bid up. As the price increases some long hedgers will leave the market, some short hedgers will enter the market and speculators will tend to leave the long side of the market and to enter the short side of the market. This process will equalize the number of long and short contracts demanded at some higher settlement price.

Proper Economic Function of a Futures Market

A properly functioning futures market either reduces or transfers risk. A futures contract between

About the Author: Douglas Kahl is Assistant Professor of Finance at the School of Business, University of South Dakota in Vermillion.

a short hedger and a long hedger reduces the risk for both, with a resulting reduction in the total risk borne by society. A futures contract between a hedger and a speculator transfers risk from the hedger to the speculator. The speculator will take a long (short) position only if he expects the spot price on the settlement date to be higher (lower) than the settlement price when he takes the position. The difference between the expected spot price and the settlement price is the "fee" paid by the hedger to the speculator in exchange for the speculator taking the risk which would otherwise be borne by the hedger. Note that it is not necessary for the hedger and the speculator to have identical expectations. It is only necessary that the speculator view his expected gain as sufficient to compensate him for his increased risk exposure and that the hedger view his expected loss as a reasonable cost for the reduction in his risk exposure. This exchange of expected wealth and risk exposure is simply an insurance agreement between hedger and speculator.

How It Works

On February 12, 1982 an S&L is informed by one of its borrowers that he will repay his loan on May 21, 1982. This repayment will result in a $250,000 cash flow into the S&L. The S&L intends to invest the $250,000 in 9% GNMA (Government National Mortgage Association) pass-through certificates. The S&L feels that the prices for GNMA's are near their low and that prices will be higher by May 21. To hedge against the expected price increase, the S&L will take a long position in the GNMA futures market on the Chicago Board of Trade (CBT). On February 12 the S&L takes a position of four long June '82 contracts at a settlement quote of 57-27; that is, 57 27/32 percent of face value. Since each contract is for a face value of $100,000 of 8% GNMA's (contracts are only available on 8% GNMA's), the S&L has contracted to buy $400,000 face value for a cash payment of $231,375 during June '82.

On May 21, 1982 the S&L liquidates its position at a settlement quote of 63, implying a cash payment of $252,000 for the four contracts. Over the period of February 12 to May 21 the S&L would have received net cash payments of $20,625 through the mark-to-market process. On May 21 the S&L will have the $20,625 cash payments from the futures contracts plus the $250,000 repayment for a total of $270,625 available to buy GNMA's. The spot price for 9% GNMA's on May 21 is 69.29% of face value. Therefore the S&L can buy GNMA's with a face value of $390,568. Without the hedge the S&L would have had $250,000 available to buy GNMA's with a face value of $360,802. This is a gain of nearly $30,000 in face value through the use of the hedge.

It is not the gain that is important, however. The spot and settlement quotes could as well have been 55 and 50, respectively, on May 21. This would have meant cash payments of $31,375 on the mark-to-market adjustment, leaving a net of $218,625 to buy GNMA's. At a spot quote of 55 the S&L could buy 9% GNMA's with a face value of $397,500. Had no futures position been taken, the $250,000 repayment would have purchased 9% GNMA's with a face value of $454,545. What is important here is the risk reduction. The price fluctuation between the two scenarios is $93,743 without the futures position and only $6,932 with the futures position. This substantial reduction in price risk for the hedger is the true value of a futures market.

Problems with Futures Markets

Note that we have carefully avoided use of the term "investing" with respect to the futures market in the discussion above. Futures contracts are neither bought nor sold, they are contractual commitments made by the two parties. No security is either created or traded in a futures market. A futures contract is not an asset but an obligation to perform certain actions at a specified time.

The cash required to take a position in the futures market consists of the transactions' costs for making the contract plus a "good faith" deposit to ensure that the obligations of the contract are met. The good faith deposit is usually a small percentage of the value of the asset involved in the contract. In futures markets all contracts are "marked to market" daily. This means that the settlement price on all contracts is adjusted to the market settlement price that day. For example, consider the situation of a holder of a long position when the settlement price is marked up. The higher settlement price means that the holder of the long contract will be required to pay more for the asset on the settlement date. To adjust for the difference, the clearing corporation makes an immediate cash payment to the holder of the long contract equal to the increase in the amount he will have to pay for the asset on the settlement date. The clearing corporation will also require an immediate cash payment from the holder of the short contract equal to the increase in the amount he will be paid for the asset on the settlement date.

Now consider the situation of the short hedger faced with a series of increasing settlement prices. While the price the short hedger will receive for his

asset on the settlement date is increasing, this increase is not realized - i.e., no cash payment is received for this increase until the settlement date. However, because of the mark-to-market procedure, the short hedger will be faced with a series of calls for immediate cash payments or his position will be liquidated. As a result, the short hedger, if he is not well capitalized, may be forced to liquidate his position when he can no longer meet the cash calls. He will then be uninsured against subsequent declines in the value of his asset. A similar situation exists for a long hedger faced with a series of settlement price decreases.

Much of the controversy surrounding the futures market concerns futures markets primarily dominated by speculators. A futures contract with speculators in both the long and short positions increases the risk exposure to both parties without reducing the risk exposure of anyone else. The result is an increase in the total risk borne by society. In the end, the gain of the "winner" will be less than the loss of the "loser" - by the amount of the transactions' costs both must pay. There is little conceptual difference between this situation and "playing the horses". Both speculators are "playing against the house" with the only sure gain for the bookie (broker).

Finally, a speculative futures market has elements of positive feedback which can increase price instability in both the futures and spot markets for that asset. For example, let a speculator or group of speculators begin taking large long positions in a futures market. This will result in an increase in the settlement price. The mark-to-market mechanism will result in immediate cash payments to long positions and immediate cash calls to short positions. Long speculators may use the cash payments as good faith deposits for additional long positions. At the same time, some short speculators will liquidate their short positions by taking a long position in exactly the same contract as their short position. The increased demand for long positions and decreased demand for short positions will lead to a higher settlement price. In addition, the higher settlement prices may increase prices in the spot market either through the actions of arbitrageurs or through expectations of higher spot prices in the future. Higher current spot prices may lead to expectations of higher future spot prices, which may in turn lead to higher settlement prices in the futures market. Such a cycle of positive feedback and increasing prices cannot be sustained indefinitely, however. As the settlement date approaches the long speculators must either liquidate their positions by taking corresponding short positions or be prepared to make much larger cash outlays when they accept delivery. The large demand for short positions by long speculators wanting to liquidate their position will result in a lower settlement price and cash calls for long speculators. The cash call may induce large numbers of long speculators to liquidate their positions. At this point the decline in the settlement price can be very rapid. In fact, the daily price limits for the exchange can be exceeded for several days. As a result, long speculators will be unable to liquidate their positions and will be locked into huge losses on their positions. Such large price swings not only impose huge risks on speculators and hedgers, but are detrimental to the economy and society as a whole. Anyone doubting the potential for such a scenario should examine the silver markets over the past several years.

Investing or Gambling?

Investing? Perhaps! To the extent that a speculator provides a risk transfer service in exchange for an expected profit, he is acting in a manner similar to an insurance company. However, insuring a few people's lives does not make a sound life insurance company; insuring people's lives without knowing their life expectancy does not make a sound life insurance company. Likewise, investing in a few contracts for assets about which one is not very expert does not make a sound investment program.

Gambling? Go to Las Vegas! Gambling type speculation in the futures markets is bad for society, the economy, the market, and you. If you gamble in Las Vegas your losses are limited (to what you bet); it is hard to convince yourself that you are "investing" in a one-armed-bandit; you are providing people with jobs; and, in the author's opinion, the shows are better.

The Bottom Line

Futures markets can provide substantial risk reduction and risk transfer functions in the economy. They can provide these functions with more efficiency and liquidity than the use of more general types of negotiated forward contracts. The true value of futures markets is in the insurance function they provide. The detrimental side of the futures markets is that highly speculative futures markets can increase the risk borne by society and increase price instability.

The costs and benefits of futures markets are borne not only by the market participants but by society as a whole. It is, therefore, both reasonable and necessary that the futures markets be carefully watched and regulated by the exchanges themselves and by the appropriate government agencies.

Finally, this article provides only a very brief and simplified look at futures markets. Anyone interested in either hedging or speculating in futures markets should make every effort to become as well informed as possible about both futures markets in general and the specific asset in which he will hedge or speculate. Futures markets are not the place for gamblers or potential price manipulators.

GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
First Quarter 1981 and First Quarter 1982
($000's)

The dollar amount reported as TOTAL GROSS on the South Dakota Department of Revenue State and City Sales and Use Tax Return

REGION I	1st Qtr 1981	1st Qtr 1982	% Change 1st Qtr 1981/1982
Brookings	43,526	40,280	-7.5
Brookings	35,114	34,302	-2.3
Elkton	1,205	1,197	-0.6
Volga	1,425	1,472	3.3
Clark	5,673	5,530	-2.5
Clark	3,491	3,884	11.3
Codington	61,619	61,068	-0.9
Watertown	58,903	58,919	.0
Deuel	6,406	6,291	-1.8
Clear Lake	4,139	3,932	-5.0
Gary	367	425	16.1
Grant	16,827	17,744	5.4
Big Stone	505	840	66.2
Milbank	14,323	15,275	6.6
Hamlin	6,546	5,881	-10.2
Bryant	1,325	1,055	-20.4
Castlewood	984	1,008	2.5
Estelline	1,447	1,404	-3.0
Hayti	1,176	1,030	-12.4
Kingsbury	12,831	12,280	-4.3
Arlington	4,007	3,823	-4.6
DeSmet	3,511	3,086	-12.1
Lake Preston	1,605	1,613	.5
Lake	20,187	18,297	-9.4
Madison	17,815	16,224	-8.9
Miner	8,401	4,767	-43.3
Howard	6,700	3,573	-46.7
Moody	12,397	11,645	-6.1
Colman	5,604	6,382	13.9
Flandreau	4,596	4,150	-9.7
TOTAL	194,412	183,783	-5.5
REGION II			
Clay	16,478	16,519	.3
Vermillion	15,042	15,125	.6
Lincoln	17,420	15,956	-8.4
Canton	9,456	8,976	-5.1
Hudson	477	825	73.1
Lennox	2,215	2,155	-2.7
McCook	13,645	11,660	-14.5
Bridgewater	3,084	3,068	-0.5
Canistota	986	879	-10.8
Salem	7,027	5,965	-15.1
Spencer	1,519	910	-40.1
Minnehaha	402,559	384,625	4.5
Brandon	1,563	1,463	-6.4
Colton	2,752	2,486	-9.7
Dell Rapids	5,805	4,604	-20.7
Garretson	1,985	2,670	34.5
Hartford	2,125	1,746	-17.9
Sioux Falls	358,639	351,287	-2.0
Turner	30,523	16,727	-45.2
Centerville	1,307	1,348	3.2
Marion	11,451	3,721	-67.5
Parker	3,690	4,515	22.3
Viborg	6,867	1,624	-76.3
Union	21,599	24,884	15.2
Alcester	3,367	3,982	18.2
Beresford	6,574	5,944	-9.6
Elk Point	2,863	3,153	10.1
N. Sioux City	7,741	10,690	38.1
TOTAL	502,224	470,372	-6.3
REGION III			
Aurora	4,516	4,510	-0.1
Plankinton	2,132	2,167	1.7
Bon Homme	12,805	12,483	-2.5
Avon	2,118	2,470	16.6
Scotland	3,112	3,008	-3.3
Springfield	1,892	1,825	-3.6
Tyndall	4,451	3,849	-13.5
Tabor	1,209	1,310	8.3

REGION III	1st Qtr 1981	1st Qtr 1982	% Change 1st Qtr 1981/1982
Brule	12,228	12,551	2.6
Chamberlain	9,025	9,109	.9
Kimball	2,693	2,959	9.9
Charles Mix	16,631	15,454	-7.1
Geddes	1,432	1,281	-10.5
Lake Andes	2,059	1,967	-4.5
Platte	5,504	5,095	-7.4
Wagner	7,163	6,719	-6.2
Davison	62,200	56,901	-8.5
Mitchell	56,685	53,176	-6.2
Douglas	7,901	7,376	-6.6
Armour	2,316	2,430	4.9
Corsica	4,773	4,242	-11.1
Gregory	14,397	12,076	-16.1
Burke	2,294	1,920	-16.3
Gergory	6,352	5,318	-16.3
Hanson	7,432	6,109	-17.8
Alexandria	5,279	4,304	-18.5
Emery	1,274	1,052	-17.4
Hutchinson	19,627	21,874	11.4
Freeman	7,236	9,994	38.1
Menno	2,288	2,407	5.2
Parkston	6,363	6,030	-5.2
Tripp	1,629	1,740	6.8
Jerauld	6,231	6,764	8.6
Wess. Sprgs.	4,045	5,446	34.6
Sanborn	4,434	4,842	9.2
Woonsocket	3,354	3,811	13.6
Yankton	69,633	66,076	-5.1
Yankton	66,459	62,859	-5.4
TOTAL	238,034	227,017	-4.6
REGION IV			
Beadle	45,248	44,744	-1.1
Huron	41,177	41,038	-0.3
Brown	107,458	99,662	-7.3
Aberdeen	96,724	91,060	-5.9
Groton	4,654	4,115	-11.6
Day	14,961	12,458	-16.7
Bristol	1,636	1,059	-35.3
Waubay	877	536	-38.9
Webster	10,560	9,009	-14.7
Edmunds	7,766	8,495	9.4
Bowdle	2,011	1,905	-5.2
Hosmer	574	549	-4.3
Ipswich	3,775	4,303	14.0
Roscoe	1,367	1,110	-18.8
Faulk	4,143	3,601	-13.1
Faulkton	2,036	1,697	-16.7
Hand	7,480	7,381	-1.3
Miller	6,737	6,674	-0.9
Marshall	8,377	8,049	-3.9
Britton	7,126	5,174	-27.4
McPherson	5,582	5,010	-10.2
Eureka	4,213	3,558	-15.5
Leola	1,192	1,261	5.8
Roberts	14,204	12,419	-12.6
Sisseton	7,291	6,710	-8.0
Wilmot	2,270	1,707	-24.8
Spink	11,130	10,142	-8.9
Doland	674	467	-30.7
Redfield	8,019	7,514	-6.3
TOTAL	226,350	211,962	-6.4
REGION V			
Buffalo	1,383	271	-80.4
Campbell	4,472	2,418	-45.9
Herreid	1,370	1,623	18.4
Corson	3,069	2,991	-2.5
McIntosh	777	630	-19.0
McLaughlin	1,553	1,624	4.6

REGION V	1st Qtr 1981	1st Qtr 1982	% Change 1st Qtr 1981/1982
Dewey	5,494	5,271	-4.1
Eagle Butte	2,787	2,690	-3.5
Isabel	919	813	-11.5
Timber Lake	1,377	1,396	1.3
Haakon	8,879	8,164	-8.1
Philip	8,160	7,361	-9.8
Hughes	32,933	29,815	-9.5
Pierre	31,212	28,436	-8.9
Blunt	1,117	934	-16.4
Hyde	3,737	3,675	-1.7
Highmore	3,634	3,602	-0.9
Jones	3,855	4,228	9.7
Murdo	3,592	3,860	7.5
Lyman	4,168	3,764	-9.7
Presho	1,227	1,057	-13.9
Mellette	1,266	1,146	-9.5
White River	780	732	-6.2
Perkins	8,418	7,367	-12.5
Lemmon	7,071	5,989	-15.3
Potter	10,428	9,860	-5.4
Gettysburg	6,616	6,137	-7.2
Hoven	3,182	3,133	-1.5
Stanley	4,454	3,271	-26.6
Ft. Pierre	4,452	3,267	-26.6
Sully	3,284	3,114	-5.2
Onida	2,963	2,811	-5.1
Tripp	17,253	14,986	-13.1
Winner	16,721	14,324	-14.3
Todd	4,140	3,222	-22.2
Mission	3,590	2,880	-19.8
Walworth	16,520	15,256	-7.7
Selby	4,169	3,616	-13.2
Mobridge	10,818	10,113	-6.5
Ziebach	1,306	1,177	-9.9
Dupree	1,232	1,092	-11.4
TOTAL	135,059	119,996	-11.2

REGION VI	1st Qtr 1981	1st Qtr 1982	% Change 1st Qtr 1981/1982
Bennett	5,504	5,516	0.2
Martin	5,385	5,400	0.3
Butte	16,276	15,534	-4.6
Belle Fourche	13,338	12,604	-5.5
Newell	1,793	1,916	6.9
Custer	6,552	6,128	-6.5
Custer	5,857	5,565	-5.0
Fall River	10,194	9,935	-2.5
Edgemont	2,778	2,880	3.7
Hot Springs	6,322	5,905	-6.6
Harding	1,435	1,235	-14.0
Buffalo	1,288	1,056	-18.0
Jackson	4,070	3,751	-7.9
Kadoka	3,863	3,432	-11.2
Lawrence	65,382	55,780	-14.7
Deadwood	9,662	9,272	-4.0
Lead	40,146	31,140	-22.4
Spearfish	10,580	10,931	3.3
Whitewood	2,702	1,766	-34.7
Meade	18,355	17,737	-3.4
Faith	1,787	1,989	11.3
Sturgis	13,386	12,939	-3.3
Pennington	212,752	221,346	4.0
Rapid City	200,255	208,381	4.1
Wall	3,912	4,930	26.0
Shannon	1,380	1,662	20.4
Pine Ridge	293	518	76.9
Washabaugh	84	59	-30.0
TOTAL	341,987	338,683	-1.0
STATE TOTAL	1,638,067	1,551,813	-5.3

LOCAL BUSINESS CONDITIONS

	Jan.-June 1981	Jan.-June 1982	% Change Jan.-June 1982/1981
Aberdeen			
Advertising Lineage Index	195.5	166.6	-14.8
Building Permits	715,000	28,220	-96.1
Value of Postal Receipts	1,428,033	1,586,784	+11.1
Value of Postal Money Orders	246,303	242,968	-1.4
Telephones In Service (June)	28,655	27,163	-5.2
Brookings			
Building Permits	1,161,100	422,400	-63.6
Value of Postal Receipts	598,848	691,828	+15.5
Value of Postal Money Orders	111,488	111,692	+0.2
Huron			
Building Permits	138,930	151,381	+9.0
Value of Postal Receipts	565,408	621,519	+9.9
Value of Postal Money Orders	119,490	128,241	+7.3
Telephones In Service (June)	14,559	14,189	+2.5
Mitchell			
Building Permits	464,088	231,355	-50.1
Value of Postal Receipts	526,614	643,603	+22.2
Value of Postal Money Orders	125,148	133,017	+6.3
Telephones In Service (June)	14,635	14,502	+0.9
Pierre			
Building Permits	1,616,400	123,000	-92.4
Value of Postal Receipts	879,478	1,068,120	+21.4
Value of Postal Money Orders	130,006	170,086	+30.8
Telephones In Service (June)	15,628	15,379	-1.6
Rapid City			
Advertising Lineage Index	193.8	201.3	+3.9
Building Permits	1,697,311	1,943,404	+14.5
Value of Postal Receipts	2,202,761	2,558,787	+16.2
Value of Postal Money Orders	499,243	242,968	-51.3
Telephones In Service (June)	63,026	62,120	-1.4
Sioux Falls			
Advertising Lineage Index	195.9	174.8	-10.8
Building Permits	5,207,932	2,821,028	-45.8
Value of Postal Receipts	4,932,310	9,544,024	+93.5
Value of Postal Money Orders	560,094	542,047	-3.2
Telephones In Service (June)	86,775	84,346	-2.8
Watertown			
Building Permits	944,939	864,672	- 8.5
Value of Postal Receipts	1,690,057	1,501,142	+11.2
Value of Postal Money Orders	142,534	198,734	+39.4
Telephones In Service (June)	16,873	16,913	+0.2
Yankton			
Building Permits	890,500	42,000	-95.3
Value of Postal Receipts	1,307,628	1,569,055	+20.0
Value of Postal Money Orders	179,813	184,411	+ 2.6
Telephones In Service (June)	13,441	13,353	- 0.7

CROP PRODUCTION SUMMARY
South Dakota
July 1, 1982
(000's Bushels)

	1981	1982	% Change 1982/1981
Corn, for Grain	180,600	2/	
All Wheat	88,970	2/	
Durum Wheat	5,750	2/	
Other Spring Wheat	52,800	2/	
Winter Wheat	30,420	36,300	19.3
Rye	3,220	4,680	45.3
Oats	70,520	108,000	53.1
Barley	20,060	23,850	18.9
Flaxseed	2,249	2/	
Soybeans	21,100	2/	
Sorghum, for Grain	19,565	2/	
Hay, all Grain 1/	5,786	2/	

1/ Yield and production in tons

2/ The first production forecast will be released in August.

Source: South Dakota Crop & Livestock Reporter.

TELEPHONES IN SERVICE
In Selected Cities
of South Dakota
June 1981 and 1982

	June 1981	June 1982	% Change 1982/81
Aberdeen	28,655	27,163	-5.2
Belle Fourche	4,902	4,803	-2.0
Canton	3,341	3,319	-0.6
Chamberlain	2,927	3,029	+3.7
Deadwood	3,379	3,275	-3.1
DeSmet	1,752	1,741	-0.6
Elk Point	1,791	1,814	+1.3
Hot Springs	4,274	4,409	+3.2
Huron	14,559	14,189	-2.5
Lead	3,595	3,600	+0.1
Madison	6,483	6,569	+1.3
Milbank	5,118	5,189	+1.4
Mitchell	14,635	14,502	-0.9
Mobridge	4,306	4,273	-0.8
Pierre	15,628	15,379	-1.6
Rapid City	63,026	62,120	-1.4
Redfield	4,414	4,388	-0.6
Sioux Falls	86,775	84,346	-2.8
Sturgis	6,478	6,403	-1.2
Tyndall	1,314	1,320	+0.5
Vermillion	8,032	7,952	-1.0
Watertown	16,873	16,913	+0.2
Webster	2,845	2,859	+0.5
Wessington Springs	1,761	1,783	+1.2
Winner	4,685	4,758	+1.6
Yankton	13,441	13,353	-0.7

Source: Northwestern Bell, Sioux Falls, South Dakota.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS
UNITED STATES
January-June 1982

Item	Jan.	Feb.	March	April	May	June	% Change Jan.-June 1982
All Items	282.5	283.4	283.1	284.3	287.1	290.6	2.9
Food & beverages	273.6	275.8	275.6	276.5	278.1	280.2	2.4
Food	281.0	283.3	283.0	283.9	285.5	287.8	2.4
Alcoholic beverages	204.0	205.6	206.6	207.4	208.0	208.4	2.2
Housing	306.1	307.3	306.7	309.4	313.8	317.5	3.7
Shelter	328.3	329.5	327.6	331.4	336.7	340.9	3.8
Rent, Residential	217.8	218.6	219.6	220.1	221.8	222.6	2.2
Homeownership	367.5	368.7	365.7	370.6	377.4	382.8	4.2
Fuel & other utilities	336.2	337.1	339.3	339.2	345.4	352.2	4.8
Fuels	426.9	427.6	430.5	428.2	438.0	448.4	5.0
Fuel oil, coal & bottled gas	686.0	683.1	664.0	641.3	644.6	656.6	-4.3
Gas (piped) & electricity	367.4	368.7	375.9	377.8	388.6	398.5	8.5
Other util. & Pub. Services	192.7	193.9	195.0	197.7	198.9	200.4	4.0
Household furnishing & operation	228.4	230.2	231.6	232.6	233.4	233.7	2.3
Apparel & upkeep	187.3	188.0	191.1	191.9	191.5	190.8	1.9
Transportation	289.9	288.0	285.0	282.9	285.6	292.8	1.0
Private transportation	286.6	284.5	281.3	278.8	281.5	288.9	0.8
Public transportation	334.9	336.8	336.7	339.3	342.1	345.6	3.2
Medical Care	313.4	316.2	318.8	321.7	323.8	326.4	4.1
Entertainment	229.2	231.2	232.8	233.9	234.4	235.6	2.8
Other goods and services	248.4	250.3	252.2	253.8	255.0	255.8	3.0

Source: U.S. Department of Labor, Bureau of Labor Statistics

HOURS AND EARNINGS OF PRODUCTION OR NONSUPERVISORY WORKERS
IN SELECTED GROUPS IN SOUTH DAKOTA
June 1981 and June 1982

	AVERAGE WEEKLY EARNINGS		AVERAGE WEEKLY HOURS		AVERAGE HOURLY EARNINGS	
	June	June	June	June	June	June
South Dakota Statewide	1982	1981	1982	1981	1982	1981
Manufacturing	$299.60	281.37	40.0	41.5	7.49	6.78
Durable Goods	274.22	257.07	39.8	41.0	6.89	6.27
Lumber & Furniture	281.78	263.33	42.5	41.6	6.63	6.33
Fabricated Metals and Mach.	257.47	256.34	38.2	40.5	6.74	6.28
Nondurable Goods	323.61	307.33	40.1	42.1	8.07	7.30
Food and Kindred Products	360.90	360.80	40.1	44.0	9.00	8.20
Paper, Printing & Publishing	244.57	242.36	35.6	36.5	6.87	6.64
Sioux Falls SMSA						
Manufacturing	419.43	370.98	43.6	45.8	9.62	8.10
Durable Goods	411.64	373.64	42.4	40.3	7.35	6.79
Nondurable Goods	438.00	391.98	43.8	47.0	10.00	8.34

Source: South Dakota Labor Bulletin, June, 1982.

TOTAL PERSONAL INCOME
United States, Plains Region and States
First Quarter 1981 through First Quarter 1982
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1981				1982	% Change 1st Qtr. '81
	I	II	III	IV	I	1st Qtr. '82
United States	2,327,381	2,376,157	2,449,675	2,493,092	2,518,641	8.2
Plains States	171,428	174,131	179,970	183,690	184,290	7.5
Iowa	28,518	28,977	29,825	30,360	30,091	5.5
Kansas	24,983	25,544	26,284	26,783	27,163	8.7
Minnesota	42,718	43,094	44,685	45,502	45,470	6.4
Missouri	47,233	48,043	49,577	50,322	51,059	8.1
Nebraska	15,739	15,831	16,483	16,883	16,810	6.8
North Dakota	6,437	6,694	6,998	7,593	7,400	15.0
South Dakota	5,799	5,948	6,119	6,247	6,296	8.6

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
June 1981 and June 1982
(In Thousands)

	June 1982	June 1981	% Change
Total Nonagricultural	237.1	244.2	-2.9
Manufacturing	25.2	26.3	-4.2
Durable Goods	12.3	13.4	-8.2
Lumber & Furniture	1.1	1.3	-15.4
Fabricated Metals & Machinery	7.8	8.6	-9.3
Other Durable Goods	3.4	3.5	-2.9
Nondurable Goods	12.9	12.9	0.0
Food & Kindred Products	8.3	7.7	7.8
Paper, Printing & Publishing	2.4	2.5	-4.0
Other Nondurable Goods	2.2	2.7	-18.5
Nonmanufacturing	211.9	217.9	-2.8
Mining	1.6	3.0	-46.7
Construction	9.7	11.7	-17.1
Transportation & Public Utilities	12.6	12.9	-2.3
Railroads	0.9	1.1	-18.2
Other Transportation	5.8	6.0	-3.3
Communications & Public Utilities	5.9	5.8	1.7
Trade	65.3	65.6	-0.5
Wholesale Trade	17.3	17.4	-0.6
Durable Goods	7.7	8.1	-4.9
Nondurable Goods	9.6	9.3	3.2
Retail Trade	48.0	48.2	-0.4
Finance, Insurance & Real Estate	11.4	11.4	0.0
Services	51.8	53.0	-2.3
Hotels, Amuse., Pers, & Business	14.1	14.6	-3.4
Medical and Health	20.9	20.9	0.0
Educational, Membership & Social	14.0	14.6	-4.1
Other	2.8	2.9	-3.4
Government	59.5	60.3	-1.3
Federal	10.4	10.6	-1.9
State	16.2	16.7	-3.0
State Education	6.4	6.4	0.0
Other State	9.8	10.3	-4.9
Local	32.9	33.0	-0.3
Local Education	18.2	18.3	-0.5
Other Local	14.7	14.7	0.0

Source: South Dakota Department of Labor

TAXABLE RETAIL SALES
In Selected Cities
of South Dakota
(000's of Dollars)

	1st Qtr. 1982	1st Qtr. 1981	Percent Change 1st Qtr. 1982 from 1st Qtr. 1981
Aberdeen	41,458	42,759	-3.1
Belle Fourche	6,071	6,020	.8
Brookings	19,109	19,603	-2.5
Chamberlain	3,744	3,790	-1.2
Dell Rapids	1,806	1,906	-5.2
Huron	18,411	19,456	-5.4
Lead	6,314	5,682	11.1
Madison	7,487	7,439	.7
Milbank	7,111	6,674	6.5
Mitchell	22,271	23,270	-4.3
Mobridge	5,634	5,528	1.9
Pierre	17,447	18,361	-5.0
Rapid City	84,123	82,238	2.3
Sioux Falls	143,418	142,855	.4
Vermillion	8,164	8,149	.2
Watertown	29,414	27,534	6.8
Winner	6,631	6,782	-2.2
Yankton	20,048	19,277	4.0
Total	654,400	646,190	1.3

Source: South Dakota Sales and Use Tax Report

PRICES RECEIVED BY FARMERS
FOR COMMODITIES SOLD -- SOUTH DAKOTA
JUNE 1981 and JUNE 1982

Commodity and Unit		Base Period Price 1910-1914 Average	Price June 1981	Price June 1982	June 1982 Price as % of Base	Percent June 1982 Price Above or Below June 1981
Wheat	Bu.	.85	4.18	3.52	414	-15.8
Corn	Bu.	.51	3.00	2.45	480	-18.3
Oats	Bu.	.35	1.96	1.80	514	- 8.2
Barley	Bu.	.59	2.81	2.12	359	-24.6
Flaxseed	Bu.	1.68	7.72	6.87	409	-11.0
Milk, whsl.	Cwt.	1.82	12.70	1/	-	-
Eggs	Doz.	.196	1/	1/	-	-
Cattle	Cwt.	5.24	60.60	63.00	1202	+ 4.0
Calves	Cwt.	6.08	70.90	68.40	1125	- 3.5
Hogs	Cwt.	7.07	47.60	57.70	816	+21.2
Sheep	Cwt.	4.24	15.90	15.10	356	- 5.0
Lambs	Cwt.	5.66	66.30	64.50	1140	- 2.7
Wool	Lb.	.178	.90	.85	478	- 5.6

1/ Season average price only

Source: South Dakota Crop and Livestock Reporter

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